THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

This document is an AIM admission document and has been drawn up in accordance with the AIM Rules. This document does not constitute a prospectus under the Prospectus Rules and has not been approved by or filed with the Financial Services Authority. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Collins Stewart, 88 Wood Street, London EC2V 7QR from the date of this document for the period ending one month after Admission.

Application has been made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on AIM, a market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of the Company's securities to the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document.

The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to the risk factors set out in Part II of this document.

Cyan Holdings plc

(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with registered number 4554942)

Placing of 21,852,273 ordinary shares of 0.2p each at 22p per share

Admission to trading on AIM

Nominated Adviser and Broker Collins Stewart Limited

All the Ordinary Shares now being placed will, on Admission, rank *pari passu* in all respects with the existing issued Ordinary Shares including the right to receive all dividends or other distributions declared, paid or made after Admission.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of Ireland or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia, the Republic of Ireland or Japan, nor may it be distributed directly or indirectly to any US person (within the meaning of Regulation S under the Securities Act) or to any persons with addresses in Canada, Australia, the Republic of Ireland or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any country outside England and Wales where such distribution may lead to a breach of any legal or regulatory requirement.

Collins Stewart, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and no-one else in connection with the Placing and the proposed Admission. Collins Stewart will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart nor for providing advice in relation to the transactions and arrangements detailed in this document. Collins Stewart is not making any representation or warranty, express or implied, as to the contents of this document.

CONTENTS

PLACING STATISTICS

Placing Price	22p
Number of Ordinary Shares in issue immediately prior to the Placing	62,458,476
Number of Placing Shares being issued*	21,852,273
Number of Ordinary Shares in issue following the Placing	84,310,749
Estimated net proceeds of the Placing receivable by the Company**	3.25 million
Percentage of the enlarged ordinary issued share capital available in the Placing	26 per cent.
Market capitalisation at the Placing Price	18.5 million
ISIN Code	GB00B0P66Q02

* Includes 3,701,990 new Ordinary Shares issued pursuant to the exercise of Warrants and placed by the Company on behalf of Warrantholders to satisfy the warrant exercise price.

** Excludes the proceeds of the placing of those Placing Shares placed by the Company on behalf of the Warrantholders to satisfy the warrant exercise price.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Trading to commence in the enlarged issued ordinary share capital on AIM	7 December 2005
CREST accounts credited	7 December 2005
Where applicable, definitive share certificates despatched	by 21 December 2005

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules"	the rules published by the London Stock Exchange governing admission to, and the operation of, AIM
"Cyan" or the "Company"	Cyan Holdings plc
"Board"	the board of Directors
"CCL"	Cambridge Consultants Limited
"Code" or "City Code"	The City Code on Takeovers and Mergers
"Collins Stewart"	Collins Stewart Limited, the Company's nominated adviser and broker (as defined in the AIM Rules)
"Combined Code"	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance, as amended from time to time
"CREST"	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by CRESTCo
"CRESTCo"	CRESTCo Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001
"Directors"	the directors of the Company, whose names are set out on page 6 of this document
"Enlarged Share Capital"	the Existing Ordinary Shares and the Placing Shares
"Existing Ordinary Shares"	the Ordinary Shares in issue at the date of this document
"FSMA"	the Financial Services Markets Act 2000 (as amended)
"Group"	the Company and its wholly owned subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 0.2p each in the capital of the Company
"Panel"	The Panel on Takeovers and Mergers
"Placing"	the conditional placing by Collins Stewart of the Placing Shares with institutional and other investors at the Placing Price pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 1 December 2005 between (i) Collins Stewart, (ii) the Company, and (iii) the Directors, further details of which are set out in paragraph 9 of Part V of this document
"Placing Price"	22p for each Placing Share
"Placing Shares"	the 21,852,273 new Ordinary Shares to be issued pursuant to the Placing
"Prospectus Rules"	rules made by the Financial Services Authority pursuant to sections 73(A)(1) and (3) of FSMA, as defined in section 417(1) of FSMA
"TSMC"	Taiwan Semiconductor Manufacturing Company
"UK"	United Kingdom of Great Britain and Northern Ireland
"Warrants"	the warrants to subscribe for Ordinary Shares more particularly described in paragraph 4.15 of Part V of this docuament
"Warrantholders"	holders of Warrants

GLOSSARY

The following terms apply throughout this document, unless the context otherwise requires:

"16-bit chips"	chips that process data words 16 bits long
"32-bit chips"	chips that process data words 32 bits long
"Application Specific Integrated Circuit (ASIC)"	a custom chip dedicated to one application
"bit"	a unit of information, a computational quantity that can take one of two values, such as true or false or 0 and 1; also the smallest unit of storage sufficient to hold one bit
"CAGR"	compound annual growth rate
"C-Compiler"	a compiler for the C language
"chip"	short for a microchip; semiconductor device or integrated circuit
"compiler"	a computer programme that translates a series of statements in one computer language into a resulting output in a different computer language
"CMOS"	complementary metal oxide silicon
"CyanIDE®"	Cyan's new software toolkit product
"design support tools"	tools required to enable a design engineer to develop products
"eCOG®1"	name given to Cyan's first product
"epoxy packages"	silicon chips are sealed in plastic mouldings made of epoxy
"ethernet"	a frame-based computer networking technology for local area networks
"evaluation kit" or "development kit"	a complete circuit board that a design engineer uses to perform tests and experiments on the component under evaluation
"Fabless"	short for fabricationless; where the manufacture of silicon is subcontracted to a foundry
"Flash memory"	a form of rewriteable silicon memory that remembers data after the power is removed
"GNU"	a free software operating system
"Integrated Development Environment" or "IDE"	software that includes all the tools required to develop software development programs for microcontrollers in one package
"I/O Pins"	input/output pins which connect to external devices
"Microcontroller"	a single integrated circuit that contains a microprocessor, memory and input/output circuitry. A microcontroller is often called a "computer on a chip" since it contains all the major parts of a computer
"Micron"	one millionth of a metre
"MCU"	microcontroller unit
"MMU"	memory management unit
"MPEG4"	a picture compression standard for storing and transmitting moving pictures
"OEM"	an original equipment manufacturer: a manfacturer that sells equipment to retail and wholesale outlets
"RTOS"	real time operating system
"peripherals"	electronic circuits which connect the core to external circuits
"semiconductors"	a material, typically crystalline, that can be altered to allow electrical current to flow or not flow in a pattern; common semiconductors are silicon, germanium and gallium-arsenide and the term is also used to apply to semiconductor devices made from these devices
"USART"	universal synchronous/asynchronous receiver/transmitter
"USB"	Universal Serial Bus; an interface between a computer and add on devices
"XAP"	CCL's proprietory technology utilised by the Company in its products

DIRECTORS, SECRETARY AND ADVISERS

Directors	Michael Alan Hughes *(Non-Executive Chairman)* Paul Thomas Johnson *(Chief Executive)* Andrew Lee *(Finance Director)* Paul Barwick *(Sales Director)* John William Read *(Non-Executive Director)* *all of whose business address is:* Unit 2 Carisbrooke Court Buckingway Business Park Swavesey Cambridge CB4 5GG
Company Secretary	Andrew Lee ACA
Registered office of the Company	Unit 2 Carisbrooke Court Buckingway Business Park Swavesey Cambridge CB4 5GG Tel: 01954 234400
Nominated Adviser and Broker	Collins Stewart Limited 88 Wood Street London EC2V 7QR
Auditors and Reporting Accountants	Deloitte & Touche LLP City House 126-130 Hills Road Cambridge CB2 1RY
Solicitors to the Company	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ
Solicitors to the Nominated Adviser and Broker	Eversheds LLP Senator House 85 Queen Victoria Street London EC4V 4JL
Financial public relations advisers to the Company	Abchurch Communications 100 Cannon Street London EC4N 6EU
Financial Adviser to the Company	Ghaliston Limited 36 King Street Covent Garden London WC2E 8JS
Principal Bankers	Barclays Bank plc Chesterton Branch 28 Chesterton Road Cambridge CB4 3AZ HSBC plc City Office PO Box 85 Cambridge CB2 3HZ
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

Information on the Group

Introduction

Cyan is a specialist electronics company focussing on the design, sale and support of a range of 16-bit and, from 2006, 32-bit general-purpose microcontroller chips ("MCUs"). MCUs are integral components in nearly all modern electronic products, ranging from mobile phones and washing machines to televisions and motorcars and the Company is selling into a market estimated to be worth $14 billion in 2005 and is forecast* to grow to over $20 billion by 2010. The Directors believe the Company's range of MCUs to be competitive when compared to other similar MCUs on the market. Furthermore, the Directors consider the Company's advanced design integration software to be a key factor in the Company's success. In common with the majority of smaller semiconductor companies, Cyan is "fabless" in that it does not fabricate MCUs itself, choosing instead to subcontract the capital intensive manufacturing process to larger third parties.

The Company is increasing its product portfolio and has developed the design integration support software, CyanIDE which was introduced in January 2004. The Directors believe that innovation and continued product development are crucial to the Company's success and the Company is working on a next generation suite of products intended to be launched in 2006.

History

Cyan was founded in 2002, to acquire the intellectual property, licences and agreements necessary to support the manufacture, distribution and sale of the eCOG1k, a low power MCU aimed at handheld and mobile communication device manufacturers. Cyan acquired such assets from CT2003 Limited (a company previously called Cyan Technology Limited), which is now in creditors' voluntary liquidation. Paul Johnson and Andrew Lee were directors of CT2003 Limited. Details of the asset acquisition agreement are as set out in Part V of this document.

The Company identified Europe and South East Asia as the most lucrative regions for the Company's products and has focused its sales efforts there. In order to service the South East Asian market, the Company opened a sales and technical support office in Hong Kong in May 2005. Cyan Technology Limited is the principal trading company in the Group.

Key strengths

The Directors believe that the Company's key strengths which will contribute to its future success are:

- Its ultra low power consumption MCU, which is of particular benefit in battery powered products
- The flexibility of Company's MCUs which incorporate a large number of peripherals for controlling external electronics making its product suitable for a wide range of applications
- The Company's leading software development toolkit, CyanIDE, the advanced features of which the Directors believe make it unique amongst MCU manufacturers, by enabling configuration software, which normally takes a software engineer weeks to write and debug, to be written automatically
- The Company's low overhead, scaleable fabless semiconductor business model using mature silicon processes, which the Directors believe, results in lower cost of sales, development costs and tooling costs.

The semiconductor market

Microcontroller chips are general-purpose digital semiconductors used in almost all electronic products. The first microcontrollers handled 4-bit and 8-bit words and were generally used to carry out control and signal processing functions, providing products with 'intelligent' behaviour. These were applied in diverse industrial control applications, calculators and in domestic appliances. However, as technology advanced, 4-bit and 8-bit microcontroller designs were not powerful enough to support the new and increasing amount of communication protocols required.

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*Source: Gartner, Inc "Trends in the Worldwide Microcomponent Market, 2005-2010" by Tom Starnes published on 14 September 2005.

During the 1980s, more powerful 16-bit chips were first applied to office imaging products such as fax machines, copiers and scanners, and automotive engine management and diverse industrial control applications.

Consumer entertainment markets now require more powerful processors and are increasingly based on 32-bit chips which have been developed to serve this market segment. In applications such as digital communications products, where the product specifications may change frequently, manufacturers prefer to use a microcontroller equipped with a program memory that can be altered at a late stage in production or even after the point of sale, yet will retain the program even with the power switched off. Microcontrollers built with embedded 'flash memory' offer this characteristic and attract higher prices.

The worldwide market for microcontrollers has grown steadily and this growth is forecast to continue as is shown in the table below*

	2005	*2006*	*2007*	*2008*	*2009*	*2010*
Total MCU	\$13.7b	\$14.5b	\$15.8b	\$18.3b	\$18.6b	\$20.2b
16-bit MCU	\$4.3b	\$4.6b	\$5.0b	\$5.8b	\$6.1b	\$6.8b
32-bit MCU	\$3.2b	\$3.5b	\$3.9b	\$4.6b	\$4.8b	\$5.2b

The market for semiconductors is competitive and often the decision as to which MCU to use in a product is taken by a customer's design engineer who will have regard to both hardware and software issues. There are a variety of criteria upon which the customer will make its decision, including the cost of materials, cost of manufacturing and time to market. For some applications there may also be a "power budget", with the finished product not to consume more than a certain amount of power due to either heat or cooling problems or to battery life or to minimise the cost of the power supplies for the complete product.

Cyan's products and business model

Products

eCOG1® product family

Cyan's first product, eCOG®1k, introduced in September 2003, has achieved 75 design wins and has 8 projects in production. The Directors believe that customers have chosen eCOG®1k due to its low power consumption or its wealth of peripheral functions or both. A version in a smaller package, uCOG1m, uses the same chip and provides what the Directors believe to be the highest number of I/O pins for a chip of its physical size in the industry.

Having successfully introduced eCOG®1, Cyan has started to market eCOG®1X which offers additional peripherals, including USB and Ethernet. With the eCOG®1X, Cyan can expand the range of the eCOG®1 family as the chip can be configured at the packaging stage and several different package types. Memory will be increased up to a maximum of 512Kbytes from the current 64Kbytes of the eCOG®1k and uCOG1m.

eCOG®2 product family

Certain applications and markets, such as personal entertainment products (in particular portable battery powered products), demand 32-bit MCUs. Cyan's eCOG®2 has been designed as a general purpose 32-bit MCU. It has also been designed to take advantage of the increasing demand for Linux based products which attract no license fees in contrast to Microsoft, Palm or Symbian software solutions. Linux is an advanced operating system similar to UNIX that was created specifically to be license free and is extremely well supported with licence free applications. Cyan is designing the eCOG®2 chip synergistically with the design of the C compiler and the Linux implementation. The Directors anticipate that this approach will result in both a product with maximum code efficiency (i.e. which uses less memory) and a very focused microcontroller for Linux. There are now many products on the market that use Linux, such as set top boxes, mobile phones, broadband routers and telecoms equipment.

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*Source: Gartner, Inc "Trends in the Worldwide Microcomponent Market, 2005-2010" by Tom Starnes published on 14 September 2005.

Work is continuing on eCOG®2's new 32-bit core and the Directors anticipate that products incorporating the new 32-bit core will be available in 2006. The Directors believe that this core, known as the CyTech Core, should further improve both the power consumption performance ratio and the computing power. Benchmarking tests carried out by the Company's engineers have indicated that this new core is capable of delivering more compact code, meaning that it should use less memory to run equivalent applications than competing products. Greater memory increases the requirement for silicon area on the chip with consequential impact on manufacturing cost. The Directors believe therefore that compact code with its reduced requirement for silicon area, is becoming increasingly important, particularly for consumer applications where memory requirements in products are increasing. The Directors intend to produce customised versions of eCOG®2 to meet customers' specific requirements.

CyanIDE

The Directors regard the Company's design support software CyanIDE® as the Company's key competitive advantage. Design engineers can download the latest version of CyanIDE® from the Company's website without charge which the Directors believe should encourage them to look closer at Cyan's products.

The Directors believe CyanIDE® to be an innovative way of developing the software that a customer must write in order to configure the microcontroller to work in his product. The Company applied for a patent in February 2004 to protect this product. Without program generating software a design engineer will need to use various hardware manuals in order to write software configuring the microcontroller for his particular application. This process takes a long time whereas with CyanIDE® the software engineer, or a hardware engineer, can configure the microcontroller graphically by drag and drop and click in as little as a few hours with little or no reference to the hardware manual.

Cyan has a dedicated software team to continue the development of CyanIDE®. The latest version automatically switches between Cyan's two product offerings checking whether or not the smaller chip can still perform what the customer requires. The Directors intend this to be carried forward to all Cyan's microcontrollers thereby helping the design engineer choose the most appropriate Cyan product for their application. New CyanIDE software is being developed which should enable the design engineer to move up and down Cyan's product range and automatically generate and convert their software. Further areas of development planned involve application generators where CyanIDE® will automatically generate software for typical features, for instance motor control.

Warrier provides an evaluation kit for the software engineer to use CyanIDE® to test the eCOG1® chip. Cyan's evaluation kit is retailed at a price set at a level to enable the typical design engineer to buy the kit without seeking authorisation for the spend and to be affordable for students. The evaluation kit comes complete with a CD carrying the whole of the development software toolkit. This compares with competitors' packages, where similarly featured boards and sets of software tools will have to be acquired from several disparate suppliers.

Routes to market

The Directors believe that an indirect sales model, through a global network of technically focussed distributors, best serves the Company. The network of 17 distributors operating from 64 offices in 38 countries, enables the Company to access a larger number of customers in a shorter time when compared to an in-house sales team. This greater access has the benefit of spreading the risk for the Company with design wins coming from a wide range of customers rather than a small number of major OEMs. The Company also has an in-house sales team which supports the distributors and is also responsible for approaching major OEMs.

In the microcontroller based projects that Cyan is targeting, typically, the design engineer will investigate available microcontrollers that have sufficient processing power to satisfy the product's requirements. Datasheets will be surveyed to see what peripherals are included in the microcontroller and also what memory is available. If the microcontroller appears to be suitable, the designer will typically purchase an evaluation kit to perform hardware and software tests. The Directors regard this as the key stage in the design win process and a successful evaluation kit and software tool should demonstrate that the microcontroller is adequate and easy to program.

Directors regard design wins as a conditional order book and in normal circumstances, it is unlikely that once "designed in", a customer will replace a microcontroller. The Directors believe that in providing quality products that are supported by the Company's leading evaluation software, the Company has a competitive edge at the design win stage.

The South East Asian and Chinese markets are becoming increasingly important for low cost manufacturing. It is also the case that technology design activity is increasing at a rapid rate. Cyan Asia, which was established in May 2005, is based in Hong Kong with a general manager and technical support staff to service the South East Asia market. Cyan is already shipping quantities of its eCOG®1 to a customer based in China and Taiwan.

Two country managers and a technical support team support the European market from Cyan's Cambridge offices and Cyan is already in the process of shipping quantities of eCOG®1 to four European customers.

Cyan's website also plays a key part in the Company's sales strategy. The website is structured so that potential customers must register if they wish to download CyanIDE® or detailed product manuals or reference designs. The details of all registrants are sent to the sales team who will then either contact a registrant or send the details to the appropriate distributor to follow up.

Manufacturing

In common with the great majority of new semiconductor businesses, Cyan does not own the factory where its chips are fabricated.

The fabless business model has arisen because new entrants to the market cannot, typically, afford the costs of setting up a modern silicon fabrication plant. The Directors believe this trend is set to continue as process technologies develop. Fabless semiconductor companies contract out manufacture to companies which own modern process plants and carry out the semiconductor fabrication process on a merchant basis. The Company currently subcontracts its fabrication to TSMC because of its ability to build embedded flash memory at 0.35 micron (a requirement of Cyan's products) and also because the Directors are impressed by its record on meeting lead times and cost targets.

Processed and tested wafers produced for Cyan by TSMC are shipped direct to another sub-contractor, where the wafers are 'diced' into individual eCOG®1 chips, connected onto lead-frames, moulded into epoxy packages and tested again. These packages are then shipped either direct to customers or to Cyan's sales offices.

Intellectual Property

Cyan utilises both its own proprietary intellectual property and licensed-in rights.

Proprietary Rights

Although the Directors do not believe that the protection that would be afforded by the grant of a patent is material to the commercial success of its business, Cyan has made UK and PCT patent applications for its proprietary computer system for programming and testing micro-controllers.

Search reports issued by the British Patent Office and the European Patent Office have both cited items of prior art in respect of particular claims in each application. However, Cyan has been advised that if each application is amended to remove or alter the relevant claims which have been cited then the applications should proceed to grant on the basis that the technology does not infringe any third party rights. The Directors are taking steps to amend the applications as necessary.

The Company has UK trade mark registrations for ECOG and CYAN IDE.

In addition to the registered intellectual property rights referred to above, Cyan also owns unregistered intellectual property rights, principally copyright in CyanIDE and rights in its chip designs. These rights have been acquired from two sources. First, certain intellectual property rights were acquired by Cyan when, in 2002, it purchased the business of the company previously called Cyan Technology Limited (now in creditors' voluntary liquidation). The second source is the intellectual property rights which have arisen in the software and chip designs created since Cyan commenced trading. This work product has either been created by employees of the Group in the course of their employment (in which case the intellectual property rights will automatically vest in the employer) or contractors. In the latter case, all contractors utilised by Cyan have entered into agreements that provide that the Group owns the intellectual property rights in any work product created by the relevant contractor.

Licensed-In Rights

Cyan licences in technology from a number of sources including CCL and Codemist Limited ("Codemist").

On 28 February 2003 Cyan entered into a licence agreement with CCL which, for a period of 25 years from February 2003, grants Cyan the non-exclusive and worldwide right to use CCL's proprietary technology (XAP) to make, develop and sell silicon integrated circuits comprising or based on any or all of the components of CCL's technology and know-how. The licence extends to the use of CCL's intellectual property in three separate products produced by Cyan, the first of which is eCOG®1.

Cyan has itself licensed CCL on a non-exclusive and worldwide basis to use its Cyan IDE toolkit (which works in conjunction with CCL's XAP) and certain improvements it has made to CCL's XAP toolkit (known as the eCOG toolkit) together with a further tool known as MakeReg.

Codemist has granted the Company a worldwide and, subject to a number of exceptions, exclusive licence to use Codemist 'C' Compiler software and associated libraries. These may be used to develop and produce compiler software capable of operation on any computer by producing target code for the microcontroller architectures known by the names XAP1, XAP1s and XAP2 developed from CCL's XAP processor. The agreement is for the term of the copyright in the licensed software.

Further details of the arrangements with CCL and Codemist are set out at paragraph 9 of Part V of this document.

Competition

The Directors consider the Company's products to be in competition with those from both major electronic companies (includes Texas Instruments, Motorola and Renesas) and also other smaller specialist companies such as Ubicom and Cygnal (now part of Silicon Laboratories Inc). However, the Directors believe that Cyan can be distinguished from such competitors by its focus on low power consumption, flexibility and ease of use through its CyanIDE software tools.

Executive Directors

Dr Paul Johnson – Chief Executive (aged 53)

Paul Johnson was awarded his Ph.D. in Electronics from Bradford University in 1978. His research was in very high-speed analogue to digital converters with emphasis on the requirements of digital television. His industrial career started at Cambridge Consultants Limited where he primarily worked on high-speed analogue to digital converters, sonar and imaging systems. He then went on to found one of the initial Cambridge companies involved in personal computing in the early 1980s, giving him a great deal of experience in the design and manufacturing of high volume products. During the mid 1980s, he founded a small design company specializing in ASIC and product design and developed a number of innovative products and design methodologies. Paul was a director of CT 2003 Limited. Paul is a founding director and shareholder of Cyan.

Andrew Lee – Finance Director (aged 45)

A graduate of University College London, Andrew Lee is a chartered accountant with eight years experience with Ernst and Young, mostly as a senior manager including work in the Far East and Australia. In 1993 he was responsible for setting up their Vietnamese practice. Andrew was appointed UK Group Finance Director for Hachette in 1994 with the responsibility of restructuring the UK based businesses. The turnaround was successfully completed within two years, restoring the business to profit. Andrew left to form his own consulting business concentrating on commercial and financial activities and his work since has concentrated on owner-managed businesses and start-ups. Andrew was a director of CT2003 Limited. Andrew became a Director on 31 October 2003.

Paul Barwick – Sales Director (aged 56)

Paul Barwick's entire career has been in the electronics industry. After an apprenticeship in electronics and work as a field sales engineer, Paul went on to spend eleven years at Jermyn Electronics, a sales and distribution business, where he became sales director, responsible for a sales force of 100 staff. In 1985 Paul left to become general manager at Hawke Components, an electronics distributor with major franchises such as Texas and Motorola. Since 1989, Paul has concentrated on a variety of consultancy and start up propositions, using his expertise in sales to help young businesses graduate from ideas to commercial reality. Paul became a Director on 2 April 2004.

Non-Executive Directors

Prof Michael Hughes – Non-Executive Chairman (aged 60)

Michael Hughes spent 25 years at GEC in Technical Director and Managing Director roles. Responsibilities included development, production, and sales of analogue and digital electronic and automation products worldwide. He became Executive Director Engineering of Midlands Electricity plc in 1990 and its Chief Executive in 1993. After the purchase of Midlands by the American utility GPU in 1996, Mike became Executive Vice President of the GPU International Operations Group operating in America, England, Australia, and Argentina. He is currently a non-executive director of Oxford Instruments plc and the South Staffordshire Group, and the Non-Executive Chairman of EA Technology Ltd. He became a Director on 6 July 2005.

Dr John Read – Non-Executive Director (aged 63)

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 a director of three semiconductor companies, Cambridge Semiconductor Limited, Si-Light Technologies Limited and Enecsys Limited. He became a Director on 30 November 2005.

Settlement and CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 7 December 2005. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring shares as a part of the Placing may elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a "system-member" (as defined in the CREST Regulations).

Reasons for the Placing and Admission

The Company is seeking Admission in order to:

- secure a more diversified shareholder base
- raise its corporate profile and increase customer confidence

- facilitate the further incentivisation of key management and employees
- raise funds to be used for:
  - working capital requirements driven by sales growth
  - the development and launch of new products
  - the expansion of the sales and product support teams.

The Placing

The Placing, which has been fully underwritten by Collins Stewart, comprises the placing at the Placing Price of 21,852,273 New Ordinary Shares with institutional and other investors (including the non-executive Directors). The 21,852,273 New Ordinary Shares to be issued pursuant to the Placing represent approximately 26 per cent. of the enlarged issued ordinary share capital of the Company and will raise £4.0 million gross (approximately £3.25 million net of expenses) for the Company. The Company will receive approximately a further £2.1 million as the proceeds of the exercise of 10,611,761 Warrants, of which approximately £0.8 million represents the proceeds of the placing of 3,701,990 new Ordinary Shares being placed by the Company on behalf of certain Warrantholders to satisfy the exercise price of their Warrants. The New Ordinary Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares. Further details of the Directors' interests in Ordinary Shares are set out in paragraph 8 of Part V of this document.

The Placing is conditional upon, *inter alia*, Admission and the Placing Agreement becoming unconditional in all respects. Further details of the Placing Agreement are set out in paragraph 9 of Part V of this document.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 7 December 2005.

Dividend policy

The Directors intend to commence the payment of dividends when it is commercially prudent to do so and subject to the availability of distributable reserves. It may be more prudent to retain cash to fund the expansion of the Group and as a result it is inappropriate to give an indication of the likely level or timing of any future dividends.

Corporate governance

The Company intends, so far as is practicable for a company of its size and nature, to comply with the provisions of the Combined Code which applies to companies which are admitted to the Official List and also the Quoted Companies Alliance guidelines published on 13 July 2005. The Company has appointed Michael Hughes and John Read as non-executive Directors. Each of the non-executive Directors has been appointed to the audit committee, the remuneration committee and the nomination committee of the Board, which were established on 30 November 2005. Each of the committees will be chaired by Michael Hughes.

The audit committee will meet at least twice a year and will be responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported on and for meeting the auditors and reviewing their reports relating to the Group's accounts and internal control systems.

The remuneration committee will meet at least twice a year and will be responsible for reviewing the performance of the executive Directors and other senior executives and for determining appropriate levels of remuneration.

The nominations committee will make recommendations on all new Board appointments.

The guidance published by the Institute of Chartered Accountants in England and Wales (commonly known as the Turnbull Report) concerning the internal control requirements of the Combined Code has been brought to the attention of the Directors. In line with the Turnbull Report, the Board expects to keep under regular review key business risks in addition to the financial risks facing the Group in the operation of its business.

The Directors intend to comply with Rule 21 of the AIM Rules relating to Directors' and applicable employees' dealings in the Company's securities and to this end the Company has adopted an appropriate share dealing code.

Current trading and prospects

In the 6 month period ended 30 June 2005, the Company's revenues were £20,453, with an operating loss of £996,295. The Directors are very satisfied with the number of design wins, which, as at 30 September 2005, totalled 75, which is more than double the figure as at 30 September 2004. Of these design wins, 8 have gone into production.

The Directors expect the Company's new range of products based upon the eCOG®1X and the eCOG®2 will be launched in 2006. The Directors are confident of further design wins based on the new range of products to be launched during 2006.

Lock-in and orderley market arrangements

Immediately following Admission, the Directors will be interested, in aggregate, in 20,136,362 Ordinary Shares representing approximately 24 per cent. of the enlarged issued share capital of the Company. Under the terms of certain lock-in agreements, which are described more fully in paragraph 9 of Part V of this document, the Directors and certain persons connected with them have undertaken that, subject to certain exceptions, without the consent of Collins Stewart, they will not sell or otherwise dispose of, or agree to dispose of, any of their respective interests in the Ordinary Shares held immediately following Admission save for any Ordinary Shares subscribed for by the Company in the Placing for a period of 12 months following Admission.

In addition, certain Shareholders (including Andrew Lee, Technology Developments Limited (a company owned by Paul Johnson) and, in relation to Ordinary Shares he holds under option, Paul Barwick, each being Directors and Peter Sugarman) have undertaken that, subject to certain exceptions, they will not sell or otherwise dispose of 20 per cent. of their Ordinary Shares held prior to Admission unless and until the Group's annual pre-tax profit is equal to or greater than £1,000,000 and the closing mid-market price of an Ordinary Share is equal to or greater than 50p on a date subsequent to the announcement of an annual pre-tax profit equal to or greater than the £1,000,000.

Share Option Schemes

At an extraordinary general meeting of the Company held on 28 November 2005, the rules of a new EMI Scheme were approved, conditional upon Admission. The rules of such scheme are summarised at paragraph 7 of Part V of this document.

VCT Qualifying investment status

On the basis of information provided to HM Revenue & Customs, the Company has received confirmation that shares to be issued under the Placing will be eligible for VCT purposes.

For VCT relief not to be withdrawn, the Company must comply with a number of conditions and no guarantee is given that the future activities of the Company will be such as to retain any qualifying company status for VCT purposes.

If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

Further information regarding taxation in relation to the Placing and Admission is set out in paragraph 11 of Part V of this document.

Risk Factors

The Group's business is dependent on many factors and prospective investors are advised to read the whole of this document, and in particular Part II entitled "Risk Factors".

Further information

The attention of prospective investors is drawn to the information contained in Parts III to V of this document which provide additional information on the Group and the Placing. A copy of a report prepared by an independent expert, Innotec Limited is included in Part III of this document.

PART II

Risk factors

An investment in the Ordinary Shares is subject to a number of risks and uncertainties. Accordingly, in addition to the other information in this document, prospective investors should consider carefully the following risk factors before making an investment decision concerning the Ordinary Shares. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also have an adverse effect on the Company's business, financial conditions and results of operations.

Risks relating to the Company's business and financial condition

Cyan has a limited history of sales of its products, which makes it difficult to predict its future sales and operations results

Cyan has limited historical financial data from which to predict its future sales and operating results. Cyan's limited operating experience limits its ability to forecast sales accurately. Most of Cyan's expenses are fixed in the short term or incurred in advance of anticipated sales and as a result, Cyan may not be able to reduce its expenses in time to offset any shortfall in sales.

Cyan may depend on a few key customers for a substantial majority of its sales and the loss of, or a significant reduction in orders from, any of them would likely significantly reduce its turnover

In the event that sales to certain customers represent a high percentage of turnover, sales would be adversely affected if one or more of these customers were to reduce, delay or cancel their purchases significantly for any reason.

Cyan relies on a small number of distributors to market and distribute its products and if any important distributor materially reduces purchases from Cyan its business could suffer disruption

Sales to a small number of distributors could generate a significant amount of Cyan's turnover. If any of such distributors were to materially reduce their purchases from Cyan or if Cyan's relationships with such distributors were adversely affected for other reasons, Cyan could suffer disruption while it made arrangements to find another distributor. As a result, Cyan's business and results of operations would be likely to suffer. In addition, any difficulty in collecting outstanding amounts due from Cyan's major distributors would harm Cyan's financial performance.

The lengthy design cycles for Cyan's products and the fixed nature of a significant portion of its expenses may result in Cyan incurring substantial expenses before it earns associated turnover and Cyan may not ultimately achieve its forecast sales for its products

The development cycles for Cyan's products can take up to 18 months to complete and volume production of products that use its MCUs can take up to 24 months or longer to be achieved.

As a result of its lengthy development cycles, Cyan may incur substantial expenses before it earns associated turnover. While potential customers are evaluating Cyan's products and before they place an order with Cyan, Cyan may incur sales and marketing expenses and expend significant management and engineering resources before it has any assurance of success of a particular product.

Cyan's success depends in part on the development and introduction of new products, which it may not be able to do in a timely manner because the process of developing semiconductor products is complex and costly

Cyan's future success depends in part on its ability to develop successful new products in a timely and cost-effective manner. The development of new products is highly complex. Cyan's plans for new products require the development and integration of new, more advanced features and these new products will be more complex and increasingly difficult to design and debug.

Cyan's products are complex and may require modifications to resolve undetected errors or failures in its hardware and software, which could lead to an increase in its costs, a loss of customers or a delay in market acceptance of its products

Cyan's products are complex and may contain undetected hardware and software errors or failures when first introduced or as new versions are released. These errors could cause Cyan to incur significant re-engineering costs, divert the attention of its engineering personnel from product development efforts and cause significant customer relations and business reputation problems as well as lead to potential product liability claims.

Cyan relies on third-party contractors to manufacture, assemble and test its products and its failure to successfully manage its relationships with these contractors could damage its relationships with its customers, decrease its sale and limit its growth

Cyan relies on third-party contractors to manufacture, assemble and test its MCUs. Cyan currently does not have long-term supply contracts with any of its third party contractors and they are not contractually bound to perform services or supply products to it for any specific period, or in any specific quantities, except as may be provided in a particular purchase order. There are significant risks for Cyan associated with its reliance on these third party contractors, including:

- potential price increases;
- capacity shortages;
- the ability of these third parties to increase production and achieve acceptable yields on a timely basis;
- increased exposure to potential misappropriation of its intellectual property;
- limited warranties on wafers or products supplied to use;
- shortages of materials that foundries use to manufacture its products;
- labour shortages or labour strikes; and
- actions taken by its third-party contractors in breach of their obligations.

Because future foundry capacity may be limited and because Cyan does not have long-term agreements with its foundries, Cyan may not be able to secure adequate manufacturing capacity to satisfy the demand for its products

Cyan utilises TSMC to manufacture its products. However, the ability of TSMC to provide wafers to Cyan is limited by its available capacity. Moreover, the price Cyan pays for wafers will fluctuate based on changes in available industry capacity. Cyan does not have a long-term supply contract with TSMC. Therefore, TSMC could choose to prioritise capacity for other customers, particularly larger customers, reduce or eliminate deliveries to Cyan on short notice or increase the prices it charges. Accordingly, Cyan cannot be certain that TSMC will allocate sufficient capacity and if it fails to do so, Cyan relationships with its customers would be harmed and its sales would likely decline.

Cyan's manufacturing contractor is located in the Pacific Rim, an area subject to significant earthquake risk

TSMC, the current principal foundry used by Cyan is located in Taiwan. The risk of an earthquake in this region is significant. The occurrence of an earthquake or other natural disaster near this foundry could result in damage, power outages and other disruptions that impair their production and assembly capacity. Any disruption resulting from such events could cause significant delays in the production or shipment of Cyan's products until it is able to shift its manufacturing, assembling, packaging, or production testing to another contractor. Cyan may not be able to obtain alternative foundry capacity on favourable terms, if at all.

Cyan depends on its engineers and technical and design personnel, and if Cyan is unable to retain its current personnel and hire additional personnel, its ability to develop and successfully market its products could be harmed

Cyan's engineers and other technical and design personnel represent a significant asset and serve as the source of its technological and product innovations. Cyan believes its future success will depend upon its ability to retain these employees and its ability to attract and retain other skilled managerial, engineering and sales and marketing personnel. the competition for personnel with appropriate qualifications is intense and the number of people with appropriate experience in engineering, integrated circuit design, wafer fabrication, wireless systems and technical manufacturing and support is limited. Cyan cannot be sure that it will be able to attract and retain sufficient numbers of personnel in the future. Cyan may experience difficulty in hiring new personnel with appropriate qualifications. Cyan employees, including its executive directors, are all employed on terms that allow termination on notice periods of less than 12 months. The loss of a material number of Cyan's engineers or key technical or design personnel or its other skilled managerial, engineering and sales and marketing personnel or its inability to attract or retain qualified personnel could delay the development and introduction of, and negatively impact its ability to sell, its products.

Cyan may be unable to protect its intellectual property effectively, which would negatively affect its ability to compete

The success of Cyan depends on its ability to protect its intellectual property and trade secrets and to avoid the risk of infringing intellectual property rights owned by others. Despite prudent steps taken by Cyan to protect its proprietary rights, third parties may attempt to copy aspects of Cyan's products and seek to use information that Cyan regards as proprietary. Competitors may also independently develop similar technologies or seek to recruit Cyan's employees who have had access to proprietary technology, processes or operations of Cyan. There is a risk that Cyan's means of protecting its intellectual property rights may not be adequate and weaknesses or failures in this area could adversely affect Cyan's business.

Cyan cannot be certain that the steps it has taken will prevent unauthorised use of its technology, particularly in foreign countries where the laws may not protect its proprietary rights as fully as do the laws of England and Wales. Many companies in the semiconductor and wireless industries have encountered substantial infringement issues in the United States and in other jurisdictions into which Cyan sells its products and into which products which incorporate Cyan products are sold.

Both of Cyan's patent applications relate to software for programming micro-controllers. The law relating to whether software can be patented differs in different jurisdictions. In the UK and in the European Patent Office in order for software to be patentable, a computer program must give rise to a "technical effect". The limits of what does or does not constitute a technical effect are defined by case law and as such can change as further cases are decided. On the basis of current case law the Directors have been advised that the improvement in the ease with which a micro-controller can be programmed using the Cyan Technology software does constitute a sufficient technical effect to enable patents for the software to be obtained. However the trend in recent case law in both the UK and Europe has been towards a narrower definition of what is considered technical and therefore it cannot be guaranteed that in the future no objections on such grounds will be raised in the UK or in Europe against Cyan's patent applications. No objections on the grounds of "technical effect" would be expected in USA where the law relating to patentable subject matter is more liberal than in the UK or Europe.

Cyan cannot be certain that patents will be issued as a result of its pending applications nor can Cyan be certain that any issued patents will provide adequate protection or provide the means to prevent third parties from selling products which compete with Cyan's products. There is a significant risk that patents issued to Cyan may be circumvented or challenged or declared invalid or unenforceable. Cyan also cannot be certain that others will not develop effective competing technologies of their own.

Cyan may seek to obtain additional capital in the future and may not be able to do so at commercially acceptable rates

Cyan believes that following the Placing it will have sufficient working capital for its present requirements, that is for the next 12 months from the date of this document. However Cyan's continued development and marketing of new products and an increase in research and development, support and sales and marketing personnel will require a significant commitment of capital by Cyan. In addition, if the market for Cyan's products develops at a slower pace than anticipated, or if Cyan fails to establish market share and increase turnover, it may incur lower operating profits or operating losses which could result in a need for additional capital. In the future, Cyan may also use a portion of its capital to acquire complementary technology or businesses. As a result of any of these factors, Cyan may be required, or could elect, to seek additional funding. In the event that Cyan seeks to raise additional funds, it may not be able to do so on favourable terms, or at all. If Cyan cannot raise funds on acceptable terms, it may not be able to develop or enhance its products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. In such event, Cyan's business may be seriously harmed.

Cyan is subject to the highly cyclical nature of the semiconductor industry

The semiconductor industry is highly cyclical. The industry has experienced significant downturns, often in connection with, or in anticipation of, maturing product cycles (of both semiconductor companies' and their customers' products) and declines in general economic conditions. These downturns have been characterised by production overcapacity, high inventory levels and accelerated erosion of average selling prices. Any future downturns could significantly harm Cyan's sales, reduce its profitability or increase its losses for a prolonged period of time. From time to time, the semiconductor industry also has experienced period of increased demand and production capacity constraints. Cyan may experience substantial changes in future operating results due to general semiconductor industry conditions, general economic conditions and other factors.

Cyan faces intense competition and may not be able to compete effectively

The markets in which Cyan operates are intensely competitive and are characterised by rapid technological change, evolving industry standards and declining average selling prices. Many of Cyan's current and potential competitors have longer operating histories, greater name recognition, access to larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than Cyan. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sales of their products than Cyan can. Cyan's current and potential competitors may develop and introduce new products that will be priced lower, provide superior performance or achieve greater market acceptance than Cyan's products. In addition, in the event of a manufacturing capacity shortage, these competitors may be able to obtain capacity when Cyan is unable to do so. Furthermore, Cyan's current or potential competitors have established or may establish, financial and strategic relationships among themselves or with existing or potential customers or other third parties to increase the ability of their products to address the needs of Cyan's prospective customers. Accordingly, it is possible that new competitors or alliance among competitors could emerge and rapidly acquire significant market share, which would harm Cyan's business.

Other considerations relating to an investment in Ordinary Shares

The market price of the Ordinary Shares may fluctuate significantly

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares, like the share price of many publicly traded technology companies, may prove to be highly volatile. The market price of the Ordinary Share may fluctuate significantly in response to a number of factors, some of which are beyond Cyan's control, including: variations in operating results in Cyan's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by Cyan of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; loss of a major customer; the inability to secure an adequate supply of wafers or other materials from suppliers in a timely fashion; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; future issues or sales of Ordinary Shares; and stock market price and volume fluctuations, which are particularly common with respect of the securities of technology companies. Any of these events could result in a material decline in the price of the Ordinary Shares.

Investment in AIM traded securities

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

PART III

Expert's report

To: Collins Stewart Limited
88 Wood Street
London EC2V 7QR

Disclaimer

Nothing in this document should be construed as a recommendation to acquire or dispose of any investment or to engage in any other transaction.

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1. Introduction

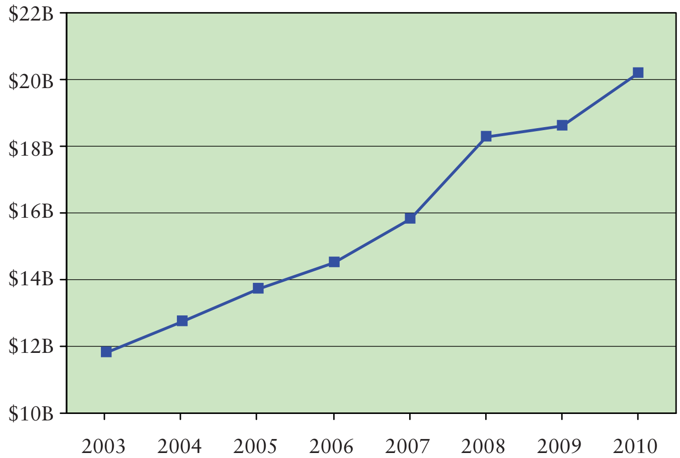
The following is an appraisal of the technology, markets and operations of Cyan Technology Ltd, which is intended to assist in an assessment of the technology of Cyan. In writing the report, we make no recommendation as to the value or likely success of an investment in Cyan Technology. Our analysis has been carried out with all due diligence but by the very nature of a limited assessment, it is possible that, either intentionally or unintentionally, we have been given information that is either not valid or incorrect.

We have been given access to confidential information, particularly with regard to technology and sales, and have used this to inform our report. We have also used information available from public sources. In addition, we have drawn on information and expertise available from our combined experience of over 50 years in this industry.

2. Outline

2.1 Current and future products in the contexts of market trends and technical developments

The marketplace for microcontrollers is very competitive and many companies, both large and small, are attempting to gain market share. However, the total available market (TAM) is very large (at least $10 billion and possibly as high as $16 billion[2]) but this is distributed amongst a very wide variety of microcontrollers. For example, Texas Instruments (TI) manufactures a range of microcontrollers (the TI MSP430 range[3]), which competes with Cyan's products.



Projected growth of the microcontroller TAM from 2003 to 2010

TI has recently announced[4] that, over the next 18 months, they plan to add 50 new device types to their portfolio, which already contains over 80 different devices. It will be very difficult for Cyan to compete directly with this kind of "productivity". Cyan's plan for diversification of their product line is outlined in paragraph 4.2.1 below.

[2] In their recent microcontroller report, Gartner Dataquest quoted a figure of $11.8 billion in the year 2003 growing to over $20 billion by 2010, a CAGR of approximately 8 per cent.

[3] http://www.ti.com/msp430expansion.

[4] http://focus.ti.com/docs/pr/pressrelease.jhtml?prelId=sc05153.

2.1.1 Device strategy

Cyan's approach is to choose key technology "nodes", at which the company believes that it has a significant advantage, and to develop specific solutions that outclass their competitors. So, for example, rather than attack the total market described in 2.1 above, Cyan plans to target the market for high-performance, 16-bit, low-power, flash-based microcontrollers.

A further strategy that Cyan plans to use is to dedicate or customise certain products to meet the needs of particular vertical markets (such as voice over internet protocol, VoIP) or even for specific clients. Such a service is more easily offered by smaller and more flexible suppliers, such as Cyan, rather than large companies such as TI or Renesas. So, for example, Cyan could, in principle, offer a customisation service at appreciably lower purchase volumes than could the larger suppliers.

Such strategies can only be successful in the situation in which the size of the market is sufficiently large that a small market share is acceptable. In Cyan's case a market share of 1 per cent. would lead to a turnover well in excess of $100 million. In addition, the market is expected by Gartner to grow substantially over the next 5 years.

2.1.2 Tool strategy

Another key feature of the Cyan strategy is for their CyanIDE development tools to outclass those of their rivals. CyanIDE has been designed specifically to make it easier for users to develop systems using the Cyan products. Ease-of-use is a key differentiator in this market and is particularly important in end-use markets in which products need to be tailored specifically to the requirements of the product. So, for example, a company developing point-of-sale (POS) terminals will have many different customers who may each require specific solutions that integrate with their particular systems and ways of operating. The ability to re-program the POS terminal easily will be very beneficial to Cyan's customer and this is considerably eased by the CyanIDE toolset.

2.1.3 Low profile

Because of the size of the market and the need for a relatively small market share in order to be very successful, in the short to medium term, Cyan is likely to remain below the horizon for the larger companies, which are concerned to a great extent with competing against each other. This will mean that Cyan is unlikely to feel the full impact of competition from the large companies.

2.2 Product cost effectiveness in manufacture

Cyan's products are manufactured in relatively small volumes at present and little has been done to optimise them for volume production. However, the manufacturing yields of current products are high (approximately 80% good chips per wafer with a worst-case loss in packaging and test of 4%) and it is unlikely that this will be improved significantly. Of course, even if the yield were to be increased to 90%, which would be very difficult to do, it would be unlikely to be cost-effective to do so.

In larger volumes, it should be possible to negotiate better wafer prices with the silicon manufacturers. In addition, it would be worth considering alternative sources of supply, but it would be necessary to consider substantially higher volumes than currently anticipated to make the latter course attractive because of the significant cost of the re-engineering work and non-recurring engineering charges this would entail.

Cyan's strategy is to look at alternative silicon suppliers when a new device is to be manufactured. In this way, it is possible to negotiate good prices at the outset of a new project and only incur engineering charges that are necessary anyway. This approach will ensure that the entire company is not dependent on a single supplier although, of course, each individual product line is.

2.3 Product cost-effectiveness in application

The issue of cost-effectiveness in application is a more difficult one. The cost-effectiveness of a microcontroller cannot be calculated easily and depends to a great extent on the end-use application and the way in which an individual customer operates.

So, for example, a customer that produces small quantities of a large number of different products will be not only concerned with the unit cost of the device but will also be deeply concerned with the ease of use of the tools supplied to support the device (see paragraph 2.1.2 above). Good design tools in this instance could greatly improve this end-user's cost-effectiveness. On the other hand, a manufacturer producing a high-volume product selling into a highly competitive marketplace will be more likely to be interested in the unit cost, the support (in terms of reference designs, for example) and the degree of integration (the functionality on-chip).

A microcontroller supplier has to address these issues and ensure that his products meet the needs of a sufficient proportion of the total number of clients to make a successful business. Cyan is attempting to do this by producing easy to use tools, highly integrated products and functionality that is attractive to the customer base. As noted in 2.1.1 above, Cyan cannot hope, in the short term, to have a product portfolio that competes with the major suppliers such as Renesas, Freescale, Texas Instruments etc but it can expect to have highly competitive point solutions that will allow the company to achieve the market share necessary to be successful.

2.4 Technical performance of the products vis-à-vis the competition

A detailed and exhaustive comparison of eCOG against all of the potential competitors is beyond the scope of this report. However, we have compared the key specifications of eCOG with MSP430 range of microcontrollers from Texas Instruments, which can be seen as the market leader in the field of low-power microcontrollers.

An immediate impression is that eCOG is specified towards the top end of the range of MSP430 devices containing as it does more flash memory than any of the chips in that range (64k versus 60k). Similarly the amount of SRAM on the eCOG exceeds that on the top of the range MSP430 (6kB, including the cache, versus 2kB). Both of these characteristics would make the eCOG the device of choice for many applications.

In terms of performance, the maximum clock frequency of the MSP430 series is 8MHz while the eCOG has a specified maximum frequency of 25MHz but can, in fact, be overclocked to 50MHz. In applications where computing power is important, the eCOG has a significant lead.

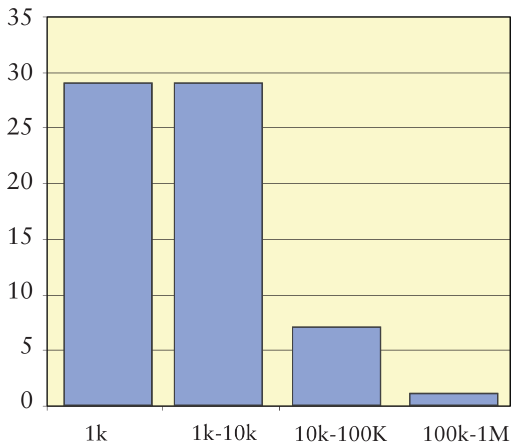
The power consumption of the MSP430 range is somewhat lower at 280µA at 1MHz while eCOG consumes 580µA at the same frequency. eCOG compensates for this by having a wide range of power down options which means that, in practical applications (such as handheld devices), eCOG has a significant advantage.

On the analogue side, the MSP430s have a much wider range of choice of ADCs (successive approximation, slope integration as well as sigma-delta, as used in the eCOG). 16-bit ADCs are also available versus 12-bit on eCOG. Similarly DACs are available on the MSP430. The MSP430 range also contains devices that can directly drive LCD displays, have hardware multipliers and so on.

Clearly, a TI's range of 87 different devices is going to be superior to the eCOG. Nonetheless, as noted in paragraph 2.1.1 above, it is not Cyan's strategy to attempt to compete against this whole range, but to cherry-pick key points, such as the high-performance, high-specification devices, which it does very successfully.

3. Customers and markets

3.1 Current customers and applications

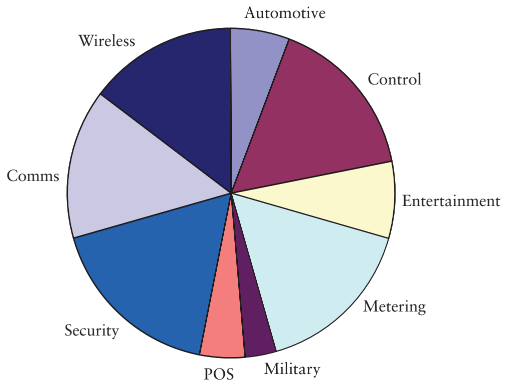


Design wins by potential volume

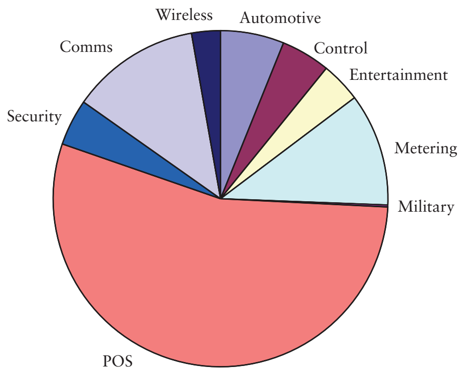
Currently Cyan has over 60 customers and 70 design wins. Cyan defines a design win as a customer having bought a Cyan development system and is no longer considering any alternatives. The customer also has a project, a quantity projection and a timescale, along with the means to pay. A design win is a measure of the proof of commitment of the customer to the particular Cyan product.

Volume projections of Cyan's design wins vary from very low volumes to a predicted annual volume of 500,000.

As can be seen from the chart, most of the design wins have potential volumes of less than 10,000 units with the average being approximately 13,000. If all of these design wins go to volume production then the total annual volumes would be 918,000 units. At this stage in the development of the company, this is a very good order book.



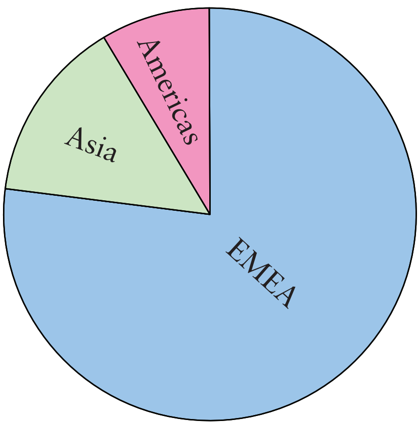
Design wins by application



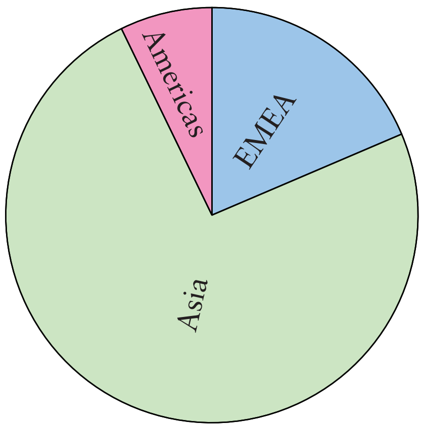
Applications by volume

There is no discernable trend in the nature of the applications with the applications of most general current interest leading the list (wireless, communications, security etc). However, the spread of applications by volume gives a clearer indication of the dominant market for the devices at present.

Of course both of the charts are subject to change very quickly as new orders arise.



Design wins by market



Projected volume by market

3.2 Geographic spread of customers

The distribution of design wins by market illustrates the relatively recent presence of Cyan in the Asian market but also exemplifies the truism that the Asian market is where large volume markets are to be found.

4. Technology status and design audit

4.1 Technology status versus the state-of-the-art

The state-of-the-art in silicon technologies varies between product areas. So, for example, in the most demanding applications, such as leading edge processors[5], 90nm[6] technologies are already in volume production with 65nm technologies expected to be in volume production in the near future. There is a big cost penalty for using such advanced technologies, which is usually only justified when the unit costs of the devices being sold are in the hundreds of dollars range. On the other hand, for product areas that do not require the highest performance or the maximum of functionality on a chip, there is a significant cost advantage in using technologies that are much less advanced.

So for example, the technology that is used in the eCOG1 (350nm[7]) was first used in production around 10 years ago, which means that most of the initial cost of the manufacturing equipment has been amortised with the result that unit costs per silicon wafer are very low.

Of course, it also means that the number of chips on a wafer is also relatively low in comparison with a more advanced technology and so it is a fine balance to be struck in order to ensure that the unit cost per chip is as low as possible.

There are additional considerations such as the performance, which tends to increase in most ways as the technology improves. Also key functionality such as the ability to integrate flash memory and analogue on the chip is usually only available on older technologies. So, in general, great care has to be exercised in choosing a suitable manufacturing technology. As noted earlier, Cyan uses relatively undemanding technology in line with many of its competitors for cost reasons and also because both analogue and flash are required in their products.

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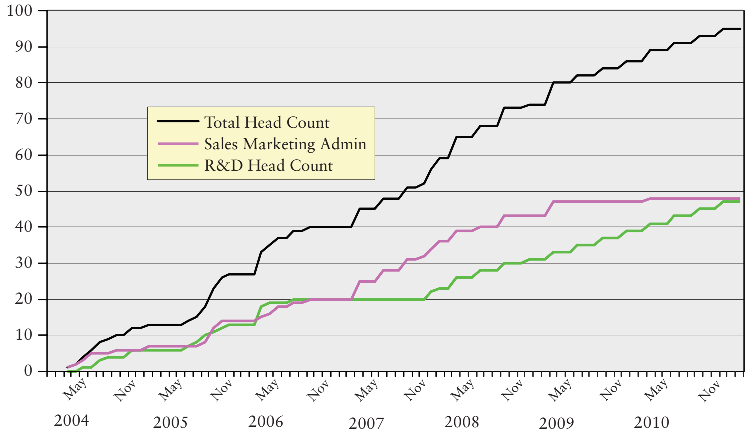
[5] Eg the Intel Pentium.

[6] 90nm (90 nanometres) is a measure of the critical dimensions of the technology. Since the 1960s critical dimensions have decreased steadily and are the main driver behind the, well-known, Moore's law.

[7] Also known as 0.35µm.

4.2 Development activities and plans

Cyan has a pragmatic approach to planning its developments. In general terms, its plans for the short to medium term are well formed while its longer-term plans will depend crucially on the needs of its customers and the budget that is available. So, for example, in discussing the spreadsheet supplied to us covering staff development plans over the next 5 years, it was made clear that all of the developments depend explicitly on the magnitude of funding available.



Proposed development in head count from the present until 2010

4.2.1 New products

There are several new products in development:

eCOG1x is an enhanced version of the current flagship product. This product will contain a large number of technical improvements including removing elements of the original eCOG design that are not used by customers but which take substantial silicon area. In addition, some of the enhanced functionality from the eCOG2 will be incorporated in the eCOG1x.

eCOG1x will encompass a range of devices including a number of different chips with, for example, different amounts of both RAM (8K to 24K) and flash memory (128K to 512K), and with different peripherals (USB, Ethernet, analogue to digital and digital to analogue converters, together with the ability to drive an LCD display). This will lead to a portfolio of 16 different variants.

eCOG1ce is a cost reduced version of the eCOG1 again leaving out elements of eCOG1 that are now redundant and also fully utilising the TSMC cell library. Additionally, it takes advantage of improvements in design methodology since the original eCOG1 was designed to achieve a much smaller chip size and hence cost. A major improvement in eCOG1ce will be the use of the TSMC 0.25µm process. As noted above, the choice of the optimum time to transition between technologies is significant. At present, the cost of a silicon wafer in 0.25µm technology is approximately 20 per cent. higher than a wafer in 0.35µm technology, but the number of chips per wafer is approximately 70 per cent. higher. This leads to a significant (~30 per cent.) reduction in unit costs.

eCOG2 is the next generation device with a 32-bit architecture. Full details have yet to be specified but certain elements, such as the analogue tile, are currently under development and will appear as part of the eCOG1x (see above). eCOG2 will also be configured as a number of different types (yet to be specified) and will add to the total portfolio.

CyanIDE: in addition to the chips that are in development, there is a plan to further develop CyanIDE.

Product roadmap

4.3 Reference designs

A key aspect of selling any semiconductor product and, in particular, microcontrollers is the availability to customers of reference designs. This is specifically so when marketing in Asia and, in particular, in China where the availability of relevant reference designs is often a prerequisite. Reference designs are outline circuits for products based on the microcontroller, which are often almost complete, but which need to be tailored to the specific requirements of the customer. Of course, it is not possible for any company to supply reference designs for every possible application of a product which is as general purpose as a microcontroller and this is particularly so for a small company such as Cyan.

Cyan currently has some reference designs (such as an asset tracker and a camera/JPEG compression system) but this portfolio will need to be built up in the near future. Of course, developing and supporting large numbers of reference designs is very costly in terms of staff and Cyan's strategy is to outsource much of this especially via their distributors. At present, one of their distributors in India (E-smart Technology Pte Ltd) is developing some applications and Cyan plans to build on this by bringing in additional Indian design houses.

4.4 Protection of intellectual property

The design of the eCOG1 and its derivatives is covered by patents owned by Cambridge Consultants Ltd (CCL) and licensed to Cyan. This affords a measure of protection but also limits the use that Cyan can make of the elements covered by the patents.

The design of eCOG2 will not be covered by CCL's patents as the architecture is fundamentally different. This is a mixed blessing in that the design will not be protected but, on the other hand, it will not be necessary for Cyan to pay licence fees. We would recommend that Cyan give serious thought to the patentability of elements of eCOG2 and any subsequent designs with a view to obtaining protection.

We also understand that there are elements of the CyanIDE software that may be patentable and that Cyan has made both British (February 2004) and PCT (February 2005) applications to cover significant elements of CyanIDE.

5. Design philosophy

5.1 "Make-or-buy" and outsourcing

Cyan has a straightforward approach to the "make-or-buy" decision: if the knowledge and intellectual capital generated by the work is key to the business, then the work is carried out in-house. So, for example, the design of the digital parts of the eCOG microcontrollers is carried out in-house from the architecture down to the netlist level. However, circuit layout, which is straightforward and mechanistic but complex, is contracted out to a specialist firm[8].

Likewise, chip manufacture and test are both subcontracted because they are highly complex and capital intensive but are not specific to eCOG. In other words, no special expertise will be developed that will particularly enhance Cyan's products.

A possible exception to this rule is in the design of the analogue components of the chips. The new analogue circuit for eCOG1x and eCOG2 is being designed by Matrics, a small intellectual property supplier that specialises in analogue design. However, the design and optimisation of analogue circuits is difficult and highly specialised and, in our view, it is wise to contract such work out unless Cyan plans to substantially enhance its portfolio of analogue elements.

We mentioned earlier that Cyan intends to build up its reference design portfolio by contracting work to Indian design houses and this is the only area which does not conform to the above model. It could be argued that the customer and market knowledge encapsulated in reference designs is key to Cyan's business and that, by contracting the work out, the company will be losing important information that could feed through into future products.

[8] GarField Microelectronics Ltd.

5.2 Relationships with suppliers

In general terms, Cyan has reasonable control over its suppliers. So the companies that supply design services (GarField and Matrics) are both small companies, which are well-matched and responsive to the needs of Cyan. On the other hand, semiconductor manufacture[9], packaging and test[10] are necessarily carried out by very large companies, which are less compatible with Cyan. However, this is the nature of the business as small companies are not able to make the huge capital investments (billions of dollars) necessary set up silicon manufacturing plants. In addition, there is a market in these services and, although it is not easy to switch suppliers, it is possible to do so. Cyan is aware of the risk of being tied to one supplier and is taking steps, where appropriate, to diversify the source of supply.

5.3 Development process and toolset

The development process used by Cyan is straightforward and is a typical ASIC[11] design flow. It is quite standard for the type of product being developed. As noted above, the key, high intellectual input stages of architecture and logic design are carried out in-house with the stages of conversion into a form suitable for manufacture being carried out by contractors.

The design tools used are also standard and appropriate for the kind of work being undertaken.

The only criticism in this area is the lack of a formal design process[12]. This is quite common amongst small startup companies in which the staff are of high quality, highly motivated and likely to remain with the company. However, as Cyan grows and there is some turnover of staff, it will be necessary for the company to become more formal in its approach. We would recommend that the company consider instituting a more formal development process in the near future.

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[9] Taiwan Semiconductor Manufacturing Company Ltd (TSMC) and Tower Semiconductor Ltd.

[10] Unisem Europe Ltd (formerly known as Atlantic Technology Ltd).

[11] Application Specific Integrated Circuit (ASIC) design flows are supported by the major manufacturers (such as TSMC and Tower Semi) and have been designed to ease the transition from the concept to the product.

[12] A typical design process that has been found to be very successful in very many companies from small startups right through to major multinationals is the ***Phase-Review*** process. In such a process each major phase of the design process is commenced and terminated by a review, which considers all aspects of the development from the financial viability of the eventual product through to the completeness of the documentation. Innotec has considerable experience of formulating, developing and implementing such processes.

5.4 Documentation, risk and design quality control

Consistent with the lack of a formal design process, there is a lack of formal documentation[13]. Again, this is not likely to be an issue in the immediate future but is something that needs to be addressed along with the matter of a formal design process.

Similarly, development and product risks are not formally considered or documented. In a small tightly-knit team this is less of a problem than would be the case in a larger company. However, there is a danger of lack of planning to cope with risks, which, for example, were known to the staff involved, but were never formally considered. Certainly, as the company expands over the next few years these kinds of issues will come to the fore. It would be very unwise to leave instituting processes until they actually cause problems.

5.5 Internal expertise and skills

Cyan has all of the expertise and skills that it currently requires to run its business. Much of the expertise and many of these skills are vested in single people and so the company is vulnerable to the loss of individuals. However, this is not at all unusual in a company of the size of Cyan and at its current state of development. This fact is recognised by the management and the key individuals are being rewarded with share options in such a way as to encourage them to stay.

6. Product realisation

6.1 Novelty of the design

The design of the eCOG family is novel and competitive in the marketplace as noted above. It has many features that make it attractive in particular fields of application, which, for example, require true low power in use. The novel design system (CyanIDE) makes the devices very easier to use than its competitors and, hence, immediately attractive to a broad range of customers.

6.2 Tolerancing

Tolerancing is a terminology applied to two different activities. First it is the process of examining a design for its susceptibility to variations in manufacturing parameters. Clearly, a design that works over a wide range of manufacturing parameters will be cheaper to manufacture over time and in volume. However, especially for semiconductor devices, it is very expensive and time-consuming to carry out this type of tolerancing.

[13] Documentation covers many aspects of the design of a product from concept through to eventual withdrawal of the product from the market. It includes business plans for the products, specifications at many levels, risk assessments, quality plans, support plans, standards which apply to the way that design of both hardware and software is carried out, design and etesting documentation etc.

The second process is to examine the specification of a component to ensure that certain of the parameters have not been set with an unnecessarily tight tolerance. Again yields can be increased and costs reduced if excessively tight tolerances can be relaxed.

As we understand it, the design has not been subjected to any tolerancing tests. At this stage, this is probably not necessary but should be considered in the longer term as part of a general cost-down approach in the company.

6.3 Product lifetime – life test, soak etc

Similarly no reliability, life testing, soak or burn-in is or has been carried out on the product. Again, as volumes build up and for particular clients (such as military suppliers), it may well be necessary to carry out such tests. As a matter of good practice burn-in should be considered. There are plans for detailed life-testing to be carried out in the future.

6.4 Design security

The design of the product is as secure as any semiconductor which is being manufactured by an external supplier. Cyan's suppliers are all highly reputable and very unlikely to allow or be responsible for black-market parts becoming available. Cyan has no plans to use less reputable suppliers.

6.5 Ramp-up to increased volumes

Ramping up the products to the necessary volumes to fulfil current projections should cause no problems in the immediate future. However, the semiconductor industry is notoriously cyclical and demand over the last year has been quite low. In recent months there has been a significant increase in demand and it is possible that the TSMC production lines may be running at capacity when Cyan requires parts in greater volume. TSMC is the largest silicon foundry and is particularly prone to lack of capacity. In addition, Cyan is a relatively small customer and may find that capacity has been reserved for the larger players. This situation should be monitored very closely.

It is planned to manufacture at the TSMC plant in Shanghai in the near future in order to service the Chinese market. This should lead to lower pricing and will avoid duty on products imported to China.

6.6 Field failures

There are still only relatively small numbers of units in the field and, to date, there have been no field failures.

7. Human resources

7.1 Retention, recruitment and expansion

As noted above, all of the senior people (managers and team leaders) in the company have been given share options appropriate to their essential value to the company. In this way the company hopes to retain the services of the key people. In addition, all other staff have been given share options that will be of significant value to them as the company becomes more successful.

The company only plans to grow the staff numbers relatively slowly over the next few years (see section 4.2) and it should not be too difficult to recruit suitably qualified staff. There is some shortage of supply, particularly in the technical disciplines, and it may prove necessary to recruit staff when they become available rather than strictly according to the plan.

7.2 Company organisation (teams, reporting etc)

The organisation of the technical staff is based on teams and disciplines (Software, Applications and ASIC design) whilst the sales force is organised by geographical region (Asia, Northern Europe and Southern Europe). Cyan Asia is constituted as a separate company in order to fit in with local expectations. In Asia the field applications engineers are assigned to the company, whilst those that support the European operations report separately to the Sales Director (Paul Barwick). The CEO (Dr Paul Johnson) is in effect also the chief technical officer.

The organisation of Cyan is quite typical for a company of this size and has been shown to be effective.

PART IV

Accountant's report on the Group

Deloitte.

Deloitte & Touche LLP
City House
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Cambridge
CB2 1RY

The Directors
Cyan Holdings plc
Unit 2
Buckingway Business Park
Swavesey
Cambridge
CB4 5UG

1 December 2005

Dear Sirs

Cyan Holdings plc and its subsidiaries (together the "Group")

We report on the financial information, set out on pages 36 to 50 of the AIM Admission Document dated 1 December 2005 of Cyan Holdings plc (the "Company") (the "Admission Document"), for Cyan Holdings plc and its subsidiaries, (together the "Group"). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 1. This report is required by paragraph (a) of Schedule Two to the AIM Rules as if Annex I item 20.1 of the Prospectus Rules applied and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with UK GAAP. It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2003, 31 December 2004 and 30 June 2005 and of its losses and cash flows for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with UK GAAP.

This report does not cover, and we express no opinion on, the financial information for the six month period ended 30 June 2004 set out in the financial information which is marked unaudited.

Declaration

For the purposes of Paragraph (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included within the AIM admission document in compliance with Schedule Two to the AIM Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

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CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	*Period ended 31 December 2003**	*Year ended 31 December 2004*	*Six months ended 30 June 2005*	*Six months ended 30 June 2004 unaudited*
		£	£	£	£
Turnover	2	4,400	12,116	20,453	1,203
Cost of sales		(2,774)	(9,100)	(16,701)	(2,905)
Gross profit (loss)		1,626	3,016	3,752	(1,702)
Administrative expenses		(30,983)	(1,022,033)	(1,000,047)	(356,907)
Operating loss		(29,357)	(1,019,017)	(996,295)	(358,609)
Interest receivable and similar income	3	—	12,750	11,069	8,210
Interest payable		—	(10)	(20)	(385)
Loss on ordinary activities before taxation	2,4	(29,357)	(1,006,277)	(985,246)	(350,784)
Tax on loss on ordinary activities	7	—	—	—	—
Loss on ordinary activities after taxation, being retained loss for the financial period	14	(29,357)	(1,006,277)	(985,246)	(350,784)

*Represents the period from incorporation, 7 October 2002, to 31 December 2003. The Group commenced trading on 25 July 2003.

All activities derive from continuing operations.

There are no recognised gains or losses other than as stated above. Therefore no statements of total recognised gains and losses have been presented.

CONSOLIDATED BALANCE SHEETS

	Notes	31 December 2003 £	31 December 2004 £	30 June 2005 £	30 June 2004 unaudited £
Fixed assets					
Intangible assets	8	12,000	8,000	6,000	10,000
Tangible assets	9	143,964	155,801	176,527	175,565
		155,964	163,801	182,527	185,565
Current assets					
Stocks – finished goods		11,508	35,396	36,563	38,669
Debtors	11	94	21,460	101,903	25,256
Investments – short term deposits		—	—	1,090,000	460,000
Cash at bank and in hand		143,660	203,459	153,589	46,828
		155,262	260,315	1,382,055	570,753
Creditors: Amounts falling due within one year	12	(6,583)	(89,734)	(308,902)	(76,759)
Net current assets		148,679	170,581	1,073,153	493,994
Total assets less current liabilities		304,643	334,382	1,255,680	679,559
Capital and reserves					
Called-up share capital	13	64,000	81,182	109,315	79,285
Share premium account	14	245,000	1,121,634	3,126,739	980,415
Other reserve – shares for issue	14	25,000	167,200	40,506	—
Profit and loss account	14	(29,357)	(1,035,634)	(2,020,880)	(380,141)
Total equity shareholders' funds	15	304,643	334,382	1,255,680	679,559

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	*Period ended 31 December 2003** £	*Year ended 31 December 2004* £	*Six months ended 30 June 2005* £	*Six months ended 30 June 2004 unaudited* £
Net cash outflow from operating activities	16	(34,376)	(931,442)	(867,973)	(345,200)
Returns on investments and servicing of finance	17	—	12,740	11,049	7,825
Capital expenditure and financial investment	17	(155,964)	(57,515)	(46,590)	(50,157)
Cash outflow before management of liquid resources and financing		(190,340)	(976,217)	(903,514)	(387,532)
Management of liquid resources	17	—	—	(1,090,000)	(460,000)
Financing	17	334,000	1,036,016	1,943,644	750,700
Increase (decrease) in cash in the period	18	143,660	59,799	(49,870)	(96,832)

*Represents the period from incorporation, 7 October 2002, to 31 December 2003. The Group commenced trading on 25 July 2003.

Notes to financial information

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout all periods presented, is set out below:

(a) *Basis of accounting*

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, applied on a consistent basis.

(b) *Research and development*

Research and development expenditure is written off in the period in which the expenditure is incurred.

(c) *Intangible fixed assets*

Intellectual property is included at cost and amortised in equal annual amounts over a period of three years. The amortisation started in January 2004 when funding was received and the exploitation of the intellectual property commenced.

(d) *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold property improvements	20 per cent. straight line basis
Office equipment	50 per cent. straight line basis
Plant, machinery, tools and equipment	50 per cent. straight line basis
Fixtures and fittings	50 per cent. straight line basis

(e) *Stocks*

Stocks are stated at the lower of cost and net realisable value.

(f) *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

(g) *Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

(h) *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(i) *Investments*

Current asset investments are stated at the lower of cost and net realisable value.

2. Segmental information

Turnover represents amounts derived from the provision of goods and services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax.

All turnover arises in the United Kingdom and is attributable to the Group's principal activity.

3. Interest receivable and similar income

	Period ended 31 December 2003	*Year ended 31 December 2004*	*Six months ended 30 June 2005*	*Six months ended 30 June 2004 unaudited*
	£	£	£	£
Bank interest receivable	—	12,750	11,069	8,210

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Period ended 31 December 2003	*Year ended 31 December 2004*	*Six months ended 30 June 2005*	*Six months ended 30 June 2004 unaudited*
	£	£	£	£
Depreciation and amortisation				
– Owned tangible assets	—	49,678	27,864	20,556
Rentals under operating leases				
– Land and buildings	—	26,066	18,288	9,306
Research and development costs	200	107,638	336,500	10,389
Auditors' remuneration				
– audit services	5,000	5,000	7,500	2,500
– non-audit services	1,100	9,500	2,100	7,600

5. Employee numbers and staff costs

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

	Period ended 31 December 2003	*Year ended 31 December 2004*	*Six months ended 30 June 2005*	*Six months ended 30 June 2004 unaudited*
	Number	*Number*	*Number*	*Number*
Finance and administration	2	3	4	2
Research and development	1	6	10	4
	3	9	14	6
	£	£	£	£
Their aggregate remuneration comprised:				
Wages and salaries	—	559,881	361,021	203,217
Social security costs	—	59,057	40,272	21,305
	—	618,938	401,293	224,522

6. Directors' remuneration

(a) *Directors' emoluments*

The remuneration of the directors was as follows:

	Period ended 31 December 2003	*Year ended 31 December 2004*	*Six months ended 30 June 2005*	*Six months ended 30 June 2004 unaudited*
	£	£	£	£
Aggregate emoluments	—	192,249	87,007	87,582

(b) *Directors' share options*

Aggregate emoluments disclosed above do not include any amounts for the value of share options or warrants to acquire ordinary shares in the Company granted to or held by the directors.

No share options were issued in the period to 31 December 2003. Details of share options granted since that date for directors who served during the period are as follows:

	At 31 December 2003 Number	*Granted Number*	*Exercised Number*	*At 31 December 2004 Number*	*Exercise price £*	*Date from which exercisable*	*Expiry date*
Executive							
Paul Johnson	—	—	—	—	—	—	—
Andrew Lee	—	—	—	—	—	—	—
Paul Barwick	—	691,500	—	691,500	0.10	15/05/2004	15/05/2014
Non-executive							
Barry Muncaster*	—	—	—	—	—	—	—
Professor Michael Hughes **	—	—	—	—	—	—	—
Dr John Read***	—	—	—	—	—	—	—
	—	691,500	—	691,500			

	At 31 December 2004 Number	*Granted Number*	*Exercised Number*	*At 30 June 2005 Number*	*Exercise price £*	*Date from which exercisable*	*Expiry date*
Executive							
Paul Johnson	—	—	—	—	—	—	—
Andrew Lee	—	—	—	—	—	—	—
Paul Barwick	691,500	—	—	691,500	0.10	15/05/2004	15/05/2014
Non-executive							
Barry Muncaster*	—	—	—	—	—	—	—
Professor Michael Hughes **	—	—	—	—	—	—	—
Dr John Read***	—	—	—	—	—	—	—
	691,500	—	—	691,500			

* Resigned 14 November 2005.
**Appointed 6 July 2005.
*** Appointed 30 November 2005.

In addition to share options, Paul Barwick was issued with 2,000,000 warrants on 15 October 2003 which existed at 30 June 2005. The exercise price of these warrants was £0.002 and the exercise period was from grant to 31 December 2008. Subsequent to 30 June 2005 these warrants were cancelled. Paul Barwick was granted share options over 2,000,000 ordinary shares, the terms of which are consistent with those of the warrants previously held.

Subsequent to 30 June 2005 Professor Michael Hughes was granted 400,000 share options under the unapproved share option scheme with an exercise price of £0.002 per share and an exercise period of between one and five years from date of admission to AIM.

(c) *Directors' pension contributions*

No directors were members of money purchase schemes to which the Group contributed throughout the period.

(d) *Directors' shareholdings*

The directors held beneficial interests in the shares of the Company as follows:

	31 December 2003	*31 December 2004*	*30 June 2005*	*30 June 2004 unaudited*
	Number	*Number*	*Number*	*Number*
Ordinary shares of £0.002 each				
Executive				
Paul Johnson	16,250,000	16,250,000	16,250,000	16,250,000
Andrew Lee	1,500,000	1,500,000	2,000,000	1,500,000
Paul Barwick	—	—	500,000	—
Non-executive				
Barry Muncaster*	5,000,000	5,000,000	5,000,000	5,000,000
Professor Michael Hughes**	—	—	—	—
Dr John Read***	—	—	—	—

*Resigned 14 November 2005.

**Appointed 6 July 2005.

***Appointed 30 November 2005.

7. Taxation

	Period ended 31 December 2003	*Year ended 31 December 2004*	*Six months ended 30 June 2005*	*Six months ended 30 June 2004 unaudited*
	£	£	£	£
The tax credit comprises:				
Current tax				
UK corporation tax for the period	—	—	—	—

The standard rate of tax for all of the periods based on the UK standard small companies rate of corporation tax is 19 per cent. The actual tax credit for the current and previous periods differs from the standard rate for the reasons set out in the following reconciliation:

	Period ended 31 December 2003	*Year ended 31 December 2004*	*Six months ended 30 June 2005*	*Six months ended 30 June 2004 unaudited*
	£	£	£	£
Loss on ordinary activities before tax	(29,357)	(1,006,277)	(985,246)	(350,784)
Tax at 19 per cent. thereon	(5,578)	(191,193)	(187,197)	(66,649)
Factors affecting credit for the period:				
Expenses not deductible for tax purposes	—	752	379	380
Capital allowances in (excess) deficit of depreciation	(27,353)	4,052	10,638	2,610
Losses carried forward	32,931	186,389	176,180	63,659
Current tax credit for the period	—	—	—	—

Analysis of deferred tax balances:

Unprovided	*Period ended 31 December 2003*	*Year ended 31 December 2004*	*Six months ended 30 June 2005*	*Six months ended 30 June 2004 unaudited*
	£	£	£	£
Accelerated capital allowances	(27,353)	(24,743)	(23,301)	(12,663)
Tax losses available	32,931	96,590	217,349	393,086
	5,578	71,847	194,048	380,423

The Group has tax losses available to carry forward against future taxable profits, subject to agreement with the Inland Revenue.

No deferred tax asset has been recognised in respect of these losses as there is insufficient evidence that the asset would be recoverable in the immediate future. The asset will become recoverable when the Group generates sufficient suitable taxable profits in the future.

8. Intangible fixed assets

	Intellectual property £
Cost	
Additions in period to 31 December 2003 and at 31 December 2003, 31 December 2004 and 30 June 2005	12,000
Amortisation	
At 31 December 2003	—
Charge for the period	4,000
At 31 December 2004	4,000
Charge for the period	2,000
At 30 June 2005	6,000
Net book value	
At 31 December 2003	12,000
At 31 December 2004	8,000
At 30 June 2005	6,000

9. Tangible fixed assets

	Leasehold property improvements £	*Plant, machinery tools and equipment* £	*Office equipment* £	*Fixtures and fittings* £	*Total* £
Cost					
Additions in period and at 31 December 2003	—	143,964	—	—	143,964
Additions	14,751	8,311	14,762	19,691	57,515
At 31 December 2004	14,751	152,275	14,762	19,691	201,479
Additions	18,493	—	17,564	10,533	46,590
At 30 June 2005	33,244	152,275	32,326	30,224	248,069
Depreciation					
At 31 December 2003	—	—	—	—	—
Charge for the period	2,395	31,165	5,077	7,041	45,678
At 31 December 2004	2,395	31,165	5,077	7,041	45,678
Charge for the period	2,087	15,435	5,449	2,893	25,864
At 30 June 2005	4,482	46,600	10,526	9,934	71,542
Net book value					
At 31 December 2003	—	143,964	—	—	143,964
At 31 December 2004	12,356	121,110	9,685	12,650	155,801
At 30 June 2005	28,762	105,675	21,800	20,290	176,527

10. Investments

At 30 June 2005, the Company had the following subsidiaries:

Name	*Activity*	*Holding*
Cyan Technology Limited	Develops and sells microcontrollers	100% of share capital
Cytech Cores Limited	Dormant	100% of share capital
Cyan Asia Limited	Sells and markets microcontrollers	100% of share capital

11. Debtors

	31 December 2003 £	*31 December 2004* £	*30 June 2005* £	*30 June 2004 unaudited* £
Amounts falling due within one year:				
Trade debtors	—	2,836	11,192	690
Prepayments and accrued income	—	12,638	30,153	18,633
Other debtors	94	5,986	60,558	5,933
	94	21,460	101,903	25,256

12. Creditors: amounts falling due within one year

	31 December 2003 £	31 December 2004 £	30 June 2005 £	30 June 2004 unaudited £
Trade creditors	1,833	52,037	150,385	36,160
Other taxes and social security	—	26,094	30,940	20,852
Other creditors	—	—	75,000	—
Accruals and deferred income	4,750	11,603	52,577	19,747
	6,583	89,734	308,902	76,759

13. Called up share capital

Authorised share capital:

	31 December 2003 £	31 December 2004 £	30 June 2005 £	30 June 2004 unaudited £
100,000,000 ordinary shares of £0.002 each	200,000	200,000	200,000	200,000
2,000,000 cumulative convertible redeemable preference B shares	2,000,000	—	—	—

Allotted, called-up and fully paid

	31 December 2003 £	31 December 2004 £	30 June 2005 £	30 June 2004 unaudited £
54,657,451 (31 December 2004 – 40,590,987, 30 June 2004 – 39,642,500, 31 December 2003 – 32,000,000) ordinary shares of £0.002 each	64,000	81,182	109,315	79,285

On incorporation the Company had authorised share capital of 1,000 ordinary shares of £1 each.

On 31 March 2003 the authorised share capital was subdivided into 100,000 ordinary shares of £0.01 each and increased by 5,900,000 ordinary shares of £0.01 each.

On 29 August 2003 the authorised share capital was subdivided into 60,000,000 ordinary shares of £0.001 each, and was also increased by 40,000,000 ordinary shares of £0.001 each. The issued share capital was subdivided accordingly. In addition the authorised share capital was increased by 2,000,000 cumulative convertible redeemable preference shares of £1 each ("B shares").

On 3 December 2003 the authorised share capital increased further by 100,000,000 ordinary shares of £0.001 each. On the same day the initial 100,000,000 authorised ordinary shares of £0.001 each and the new authorised ordinary shares of £0.001 each were consolidated into 100,000,000 A ordinary shares of £0.002 each. The issued share capital was consolidated accordingly.

During the period ended 31 December 2003 29,500,000 ordinary shares were issued at a par value of £0.002 each. In addition, a further 2,500,000 ordinary shares of £0.002 each were issued for total proceeds of £250,000 at a premium of £245,000.

On 14 January 2004, the Company's authorised share capital was altered by the cancellation of the B shares and the A ordinary shares were reclassified as ordinary shares.

On 15 January 2004 7,642,500 ordinary shares of £0.002 each were issued for consideration of £764,250 at a premium of £748,965.

On 15 August 2004 526,937 ordinary shares of £0.002 each were issued for consideration of £142,273 at a premium of £141,219.

On 15 December 2004, a bonus issue of ordinary shares was made to the investors who invested on 15 August 2004. For every 5 shares invested in August 2004, 4 ordinary shares were issued at par. This resulted in the issue of 421,550 ordinary shares at par.

During the six months to 30 June 2005, 14,066,464 ordinary shares of £0.002 each were issued for consideration of £2,109,970 at a premium of £2,081,837.

Subsequent to 30 June 2005, a further 436,709 ordinary shares were issued for consideration of £155,787 at a premium of £154,914. These share issues included the shares issued in consideration for commission (£40,506) payable in connection with previous funding rounds (refer to note 14).

The total number of share options granted under the following share schemes as at 30 June 2005 is as follows:

Enterprise Management Incentive Scheme ("EMI Scheme")

Date granted	*Number of options*	*Exercise price per share*	*Exercise and vesting period*
15/05/2004	1,491,500	£0.10	(i)
01/05/2005	650,000	£0.15	(i)
	2,141,500		

(i) Options vest and may be exercised as follows:

12 months from date of grant	25 per cent.
24 months from date of grant	a further 25 per cent.
36 months from date of grant	a further 25 per cent.
48 months from date of grant	a further 25 per cent.

Notwithstanding the vesting provisions above, the options vest entirely in the event of a sale or relevant listing.

The share options have a 10 year exercise period from the date of grant.

Subsequent to 30 June 2005, a further 715,000 share options were issued under the EMI scheme.

Unapproved share option scheme

No options were granted under the unapproved share option scheme during the period. Subsequent to 30 June 2005, the Company granted 2,400,000 share options under this scheme, the exercise price of which is £0.002 per share and the exercise period is between one and five years from date of grant.

In addition to the share options in issue, at 30 June 2005 there also existed warrants which are detailed below.

Warrant	*Number of warrants*	*Exercise price per share*	*Exercise period*
A	12,614,020	£0.20**	Date of grant to 31/12/2006
B	12,614,020	£0.25**	Date of grant to 31/12/2007
C	2,467,660	£0.002*	Date of grant to 31/12/2008
D	183,070	$0.35**	Date of grant to 31/12/2006
E	183,070	$0.4675**	Date of grant to 31/12/2007
	28,061,840		

* of these warrants 2,000,000 were held by Paul Barwick, all others are held by shareholders of Cyan Holdings. Subsequent to 30 June 2005, the warrants held by Paul Barwick were cancelled and replaced with share options.

** all held by shareholders of the Company.

As at the date of this report, the A warrant holders agreed to exercise (subject to the flotation of the Company) 11,018,980 of the A warrants thereby raising approximately £2.2 million on flotation.

14. Reserves

	Other reserves – shares for issue £	*Share premium account* £	*Profit and loss account* £	*Total* £
Retained loss for the period	—	—	(29,357)	(29,357)
Premium on issue of shares in the period (net of expenses of £nil)	—	245,000	—	245,000
Shares for issue*	25,000	—	—	25,000
At 31 December 2003	25,000	245,000	(29,357)	240,643
Retained loss for the year	—	—	(1,006,277)	(1,006,277)
Premium on issue of shares in the year (net of expenses of £13,550)	—	876,634	—	876,634
Shares issued	(25,000)	—	—	(25,000)
Shares for issue*	167,200	—	—	167,200
At 31 December 2004	167,200	1,121,634	(1,035,634)	253,200
Retained loss for the period	—	—	(985,246)	(985,246)
Premium on issue of shares in the period (net of expenses of £76,732)	—	2,005,105	—	2,005,105
Shares issued	(167,200)	—	—	(167,200)
Shares for issue†	40,506	—	—	40,506
At 30 June 2005	40,506	3,126,739	(2,020,880)	1,146,365

* Represents cash received for shares not issued at the respective period ends.

† Represents shares to be issued as consideration for commission payable in relation to the share issues in the period.

15. Reconciliation of movements in Shareholders' Funds

	Period ended 31 December 2003 £	*Year ended 31 December 2004* £	*Six months ended 30 June 2005* £	*Six months ended 30 June 2004 unaudited* £
Loss for the period	(29,357)	(1,006,277)	(985,246)	(350,784)
New shares issued (net of expenses)	309,000	893,816	2,033,238	750,700
Shares for issue movement	25,000	142,200	(126,694)	—
Net addition to (reduction in) shareholders' funds	304,643	29,739	921,298	399,916
Opening shareholders' funds	—	304,643	334,382	279,643
Closing shareholders' funds	304,643	334,382	1,255,680	679,559

16. Reconciliation of Operating Loss to Operating Cash Flows

	Period ended 31 December 2003 £	*Year ended 31 December 2004* £	*Six months ended 30 June 2005* £	*Six months ended 30 June 2004 unaudited* £
Operating loss	(29,357)	(1,019,017)	(996,295)	(358,609)
Depreciation and amortisation charge	—	49,678	27,864	20,556
Increase in stocks	(11,508)	(23,888)	(1,167)	(27,161)
Increase in debtors	(94)	(21,366)	(42,543)	(25,162)
Increase in creditors	6,583	83,151	144,168	45,176
Net cash outflow from operating activities	(34,376)	(931,442)	(867,973)	(345,200)

17. Analysis of Cash Flows

	Year ended 31 December 2003 £	*Year ended 31 December 2004* £	*Six months ended 30 June 2005* £	*Six months ended 30 June 2004 unaudited* £
Returns on investments and servicing of finance				
Interest received	—	12,750	11,069	8,210
Interest paid	—	(10)	(20)	(385)
Net cash inflow	—	12,740	11,049	7,825
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(143,964)	(57,515)	(46,590)	(50,157)
Purchase of intellectual property	(12,000)	—	—	—
Net cash outflow	(155,964)	(57,515)	(46,590)	(50,157)
Management of liquid resources				
Cash placed on term deposits	—	—	(1,090,000)	(460,000)
Net cash outflow	—	—	(1,090,000)	(460,000)
Financing				
Issue of ordinary share capital (net of expenses)	334,000	1,036,016	1,943,644	750,700
Net cash inflow	334,000	1,036,016	1,943,644	750,700

18. Analysis and reconciliation of net funds

	7 October 2002 £	*Cash flow* £	*31 December 2003* £
Cash at bank and in hand	—	143,660	143,660
Current asset investments	—	—	—
Net funds	—	143,660	143,660

	31 December 2003 £	Unaudited Cash flow £	30 June 2004 £
Cash at bank and in hand	143,660	(96,832)	46,828
Current asset investments	—	460,000	460,000
Net funds	143,660	363,168	506,828

	31 December 2003 £	Cash flow £	31 December 2004 £
Cash at bank and in hand	143,660	59,799	203,459
Current asset investments	—	—	—
Net funds	143,660	59,799	203,459

	31 December 2004 £	Cash flow £	30 June 2005 £
Cash at bank and in hand	203,459	(49,870)	153,589
Current asset investments	—	1,090,000	1,090,000
Net funds	203,459	1,040,130	1,243,589

	31 December 2003 £	31 December 2004 £	30 June 2005 £	30 June 2004 unaudited £
Increase (decrease) in cash in the period	143,660	59,799	(49,870)	(96,832)
Cash outflow from increase in liquid resources	—	—	1,090,000	460,000
Change in net funds resulting from cash flows	143,660	59,799	1,040,130	363,168
Net funds at beginning of period	—	143,660	203,459	143,660
Net funds at end of period	143,660	203,459	1,243,589	506,828

19. Financial Commitments

As at each period end the following payments were committed to be paid during the next year in respect of operating leases on land and buildings.

	31 December 2003 £	31 December 2004 £	30 June 2005 £	30 June 2004 unaudited £
Expiring:				
Between one and two years	—	—	17,346	—
Between two and five years	—	38,917	41,000	33,917
	—	38,917	58,346	33,917

20. Controlling Party

At 30 June 2005, the directors, together owned 43 per cent. of the Company. The remaining shares were held by a total of 113 shareholders. As a consequence of these shareholdings the directors were of the opinion that there was no one controlling party of the Company.

21. Post Balance Sheet Events

On 28 November the Company was re-registered as a public limited company under section 43 of the Companies Act 1985 (as amended) and changed its name to Cyan Holdings plc.

On 28 November the authorised share capital of the Company was increased to £300,000 by the creation of 50,000,000 ordinary shares.

PART V

Additional information

1. Responsibility

The Directors individually and collectively, whose names appear on page 6 as the Company, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and Status of the Company

2.1 The Company was incorporated and registered in England and Wales under the Act on 7 October 2002 with registered number 4554942 as a private limited company under the name Winghill Limited. On 12 September 2003, the Company changed its name to Cyan Holdings Limited. On 28 November 2005, Cyan Holdings Limited was re-registered as a public limited company under section 43 of the Act and changed its name to Cyan Holdings plc. The liability of the members of the Company is limited.

2.2 The principal legislation under which the Company operates is the Act and regulations made thereunder.

2.3 The Company is domiciled in the United Kingdom and its registered office and principal place of business is at Unit 2, Carisbrooke Court, Swavesey, Cambridgeshire CB4 5GG.

2.4 The Company acts as the holding company of the Group, the principal activities of which are the development and production of low powered microcontrollers. The objects of the Company are set out in full in clause D of the Company's memorandum of association.

2.5 The Company's accounting reference date is 31 December in every year.

3. Subsidiaries

The Company is, and will on Admission be, the holding company of the Group and its subsidiaries all of which are wholly owned by the Company:

Company	*Number*	*Place of Incorporation*
Cyan Technology Limited	4724479	England & Wales
CyTech Cores Limited	4783825	England & Wales
Cyan Asia Limited	948025	Hong Kong

4. Share capital of the Company

4.1 At the date of its incorporation, the Company had an authorised share capital of £1,000 divided into 1,000 Ordinary Shares of £1 each

4.2 On 31 March 2003, pursuant to resolutions passed at an extraordinary general meeting of the Company, each ordinary share of £1.00 was divided into 100 shares of 1p each and the authorised share capital was then increased from £1,000 divided into 100,000 shares of 1p each to £60,000 divided into 6,000,000 shares of 1p each by the creation of 5,900,000 new ordinary shares

4.3 On 29 August 2003, the ordinary shares were further sub-divided into shares of 0.1p each and the authorised share capital was increased to £2,100,000 divided into 100,000,000 A ordinary shares of 0.1p each ("A Ordinary Shares") and 2,000,000 cumulative convertible redeemable preference B shares of £1 each ("B Shares").

4.4 On 3 December 2003, the Company increased its authorised share capital by the creation of 100,000,000 new A Ordinary Shares of 0.1p each and the A Ordinary Shares were consolidated into A ordinary shares of 0.2p each resulting in an authorised share capital of £2,200,000 divided into 100,000,000 A Ordinary Shares of 0.2p each and 2,000,000 B Shares

4.5 On 14 January 2004, the Company's authorised share capital was altered by the cancellation of the 2,000,000 B Shares, and the A ordinary shares were reclassified as ordinary shares, resulting in an authorised share capital of £200,000 divided into 100,000,000 ordinary shares of 0.2p each

4.6 In the period from 1 June 2003 2005 until 7 July 2003, 5,399,900 ordinary shares of 1p each were issued for cash (amounting to 26,999,500 Ordinary Shares)

4.7 In the period from 15 November 2003 until 10 February 2004, 12,642,500 Ordinary Shares of 0.2p each were issued for cash.

4.8 In the period from 1 June 2004 until 31 December 2004, 948,487 Ordinary Shares were issued for cash.

4.9 In the period from 1 January 2005 until 31 August 2005, 14,503,173 Ordinary Shares were issued for cash and/or in consideration for commissions payable.

4.10 As at the date of this document, the authorised share capital of the Company is £300,000, divided into 150,000,000 Ordinary Shares and the issued share capital is £110,188.32, divided into 55,094,160 Ordinary Shares. The Ordinary Shares are in registered form.

4.11 Pursuant to resolutions of the shareholders of the Company passed on 28 November 2005:

4.11.1 the authorised share capital of the Company was increased from £200,000 to £300,000 by the creation of 50,000,000 Ordinary Shares;

4.11.2 in accordance with section 80 of the Act, the Directors were generally and unconditionally authorised to exercise for the period expiring at the conclusion of the next annual general meeting of the Company all the powers of the Company to allot relevant securities up to an aggregate nominal amount equal £109,919; and

4.11.3 section 89(1) of the Act was disapplied to any allotment of equity securities made for cash pursuant to the authority granted by the resolution referred to at paragraph 4.11.2 above, but that this disapplication is limited to:

4.11.3.1 the allotment of equity securities up to an aggregate nominal value of £60,000 of the Company in connection with the proposed placing of Ordinary Shares to certain institutional and other investors more fully described in the letter from the Company to its shareholders dated 4 November 2005;

4.11.3.2 the allotment of equity security up to an aggregate nominal value of £13,200 in connection with the grant of options to subscribe for ordinary shares in the capital of the Company more fully described in the letter from the Company to its shareholders dated 4 November 2005;

4.11.3.3 the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them and for the purposes of this resolution "rights issue" means offer of equity securities open for acceptance for a period fixed by the directors to:

(a) holders on the register on a fixed record date of ordinary shares in proportion to their respective holdings; and

(b) holders on the register on a fixed record date of other equity securities to the extent expressly required or (if considered appropriate by the directors) permitted by the rights attached thereto but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange or otherwise in any territory; and

4.11.3.4 the allotment (otherwise than pursuant to paragraphs 4.11.3.1 to 4.11.3.3 above) of equity securities up to an aggregate nominal value of £11,018.83 representing approximately 10 per cent. of the existing issued share capital of the Company.

4.12 The Placing Shares will, when issued, rank equally in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission in respect of the Company's ordinary share capital.

4.13 The Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

4.14 At the date of this document, the Company has an EMI scheme, details of which are set out in paragraph 7 below.

4.15 In addition to the EMI Scheme referred to at paragraph 7 below, the Company has granted and (save as disclosed in paragraph 4.15.8) there remain outstanding the following options and warrants:

4.15.1 on 30 November 2005, an option to Paul Barwick over 2,000,000 Ordinary Shares exercisable at par at any time during the period falling between 12 months and 60 months following Admission.

4.15.2 on 30 November 2005, an option to Michael Hughes over 400,000 Ordinary Shares exercisable at par at any time during the period falling between 12 months and 60 months following Admission.

4.15.3 12,614,020 "A" Warrants which each give the right to subscribe for 1 Ordinary Share at 20p per share, exercisable prior to 31 December 2006.

4.15.4 12,614,020 "B" Warrants which each give the right to subscribe for 1 Ordinary Share at 25p per share, exercisable prior to 31 December 2007.

4.15.5 467,660 "C" Warrants which each give the right to subscribe for 1 Ordinary Share at 0.20p per share, exercisable prior to 31 December 2008.

4.15.6 183,070 "D" Warrants which each give the right to subscribe for 1 Ordinary Share at 37.5 US cents per share, exercisable prior to 31 December 2006.

4.15.7 183,070 "E" Warrants which each give the right to subscribe for 1 Ordinary Share at 46.75 US cents per share, exercisable prior to 31 December 2007.

4.15.8 "A" Warrants over 10,611,761 Ordinary Shares have been exercised by Warrant holders at 20p per share conditional upon Admission and of these 3,701,990 Ordinary Shares have been placed by the Company on behalf of certain of such Warrantholders to satisfy the exercise price payable on exercise. Warrants over 15,450,079 Ordinary Shares, representing 18.32 per cent. of the issued share capital of the Company on Admission will remain exercisable by Warrantholders.

4.16 The Company holds no treasury shares.

5. Memorandum of Association

5.1 The memorandum of association of the Company provides that the Company's principal objects are to carry on business as a general commercial company and to carry on the business of a holding company. The objects and powers of the Company are set out in full in clause D of the memorandum of association.

6. Articles of Association

The Articles of Association of the Company which have been adopted by the Company conditionally upon Admission, contain, *inter alia,* provisions to the following effect:

6.1 *Meetings*

6.1.1 An annual general meeting shall be held once in every year at such time and place as may be determined by the Directors. All other general meetings are called extraordinary general meetings. The Directors may whenever they think fit, and shall on requisition in accordance with the statutes, convene an extraordinary general meeting with proper expedition.

6.1.2 Three members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

6.1.3 The provisions of the Articles relating to general meetings apply as nearly as possible to any separate meeting of the holders of any class of shares but the necessary quorum is two persons holding or representing by proxy one third in nominal amount of the issued shares of the class except where there is only one holder of the relevant class of shares in which case the quorum shall be that holder.

6.2 *Directors*

6.2.1 A director is not required to hold any qualification shares.

6.2.2 The amount of any fees payable to Directors shall be determined by the Directors provided that they shall not in any year exceed an aggregate amount of £300,000 or such other sum as may from time to time be approved by ordinary resolution. Any such fees shall be divisible among the Directors as they may agree, or failing agreement, equally. The Directors are also entitled to be repaid all reasonable expenses incurred by them respectively in the performance of their duties. Any director holding an executive office or otherwise performing services which in the opinion of the Directors are outside the scope of his ordinary duties as a director may be paid such remuneration as the Directors may determine.

6.2.3 The Directors may establish and maintain the establishment of any non-contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of, or Directors or officers of and holding any salaried employment or office in, the Company or any other company which is its holding company or in which the Company or such holding company has any interest or which is allied to or associated with the Company or of any company which is a subsidiary undertaking of the Company or of any such other company ("associated companies") and the families and dependents of any such persons; and the Directors shall have power to purchase and maintain insurance against liability for any persons who are or were at any time Directors, officers, employees or auditors of, the Company or, its associated companies and for trustees of any pension fund in which employees of the Company or its associated companies are interested.

6.2.4 The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including the office of chairman, deputy chairman, managing director or chief executive) on such terms and for such period as they may determine.

6.2.5 Subject to the provisions of applicable law and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a director notwithstanding his office:

(A) may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested.

(B) may be a director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested;

(C) may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company and in any such case on such terms as to remuneration and otherwise as the Directors may arrange; and

(D) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

6.2.6 Save as specifically provided in the Articles, a director may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A director will not be counted in the quorum of a meeting in relation to any resolution on which he is debarred from voting.

6.2.7 Subject to applicable law, a director is (in the absence of some other material interest than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(A) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or of its subsidiary undertakings;

(B) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(C) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(D) any contract, transaction, arrangement or proposal to which the company is or is to be a party concerning any other body corporate in which he (together with any persons connected with him) do not to his knowledge hold an interest in shares (as that term is used in Part VI of the Act) representing one per cent. or more of either any class of the equity share capital or the voting rights in such body corporate;

(E) any contract, transaction, arrangement or proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by, or is subject to and conditional on approval by, the Board of Inland Revenue for taxation purposes;

(F) any contract, transaction, arrangement or proposal for the benefit of the employees of the company or any of its subsidiary undertakings and which does not award any director any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and

(G) any contract, transaction, arrangement or proposal concerning any insurance against liability which the Company is empowered to purchase and/or maintain for, or for the benefit of, any Directors or group of persons who include Directors.

6.2.8 Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under paragraphs 6.2.6 and 6.2.7 above either generally or in relation to any particular matter, or ratify any transaction not duly authorised by reason of a contravention of such provision.

6.2.9 A resolution for the appointment of two or more persons as Directors by a single resolution shall not be moved at any general meeting unless a resolution that it shall be so moved has first been agreed by the meeting without any vote being given against it, and any resolution moved in contravention of this provision of the Articles shall be void.

6.2.10 The Articles provide that statutory provisions which would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age, or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age, shall not apply to the company.

6.3 *Return of Capital on a winding up*

If the Company is wound up the liquidator may, with the authority of an extraordinary resolution and any other sanction required by law, divide among the members in specie or in kind the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair upon any one or more class or classes of property and determine how such division shall be carried out as between the members or different classes of members.

6.4 *Voting Rights attached to the Ordinary Shares*

Subject to the Statutes and any special rights or restrictions in accordance with the Articles, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote either personally or by proxy at a general meeting if any call remains unpaid.

6.5 *Variation of class rights and changes of capital*

6.5.1 The special rights attached to any class of shares may, subject to any applicable law, be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of three fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class and may be so varied or abrogated either whilst the company is a going concern or during or in contemplation of winding up.

6.5.2 The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of a larger amount, cancel any shares not taken or agreed to be taken by any person and sub-divide its shares into shares of a smaller amount.

6.5.3 The Company may by special resolution reduce its share capital or any capital redemption fund, share premium account or other undistributable reserve subject to authority required by law. Subject to applicable law, and to sanction by an extraordinary resolution, the Company may purchase its own shares.

6.6 *Dividends*

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of members, and may fix the time for payment of such dividends but no dividend shall exceed the amount recommended by the Directors. Any dividend declared shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of seven years from the date of declaration of the dividend and any other money payable in respect of a share which is unclaimed after such period shall be forfeited and shall revert to the Company.

6.7 *Transfer of Shares*

6.7.1 All transfers of uncertificated shares shall be made in accordance with and be subject to the provisions of the Regulations and the facilities and requirements of the relevant system. All transfers of certificated shares may be effected by transfer in writing in any usual form or in any other form acceptable to the Directors (and in the case of a person or firm may be under hand only). Any written instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee.

6.7.2 The Directors have absolute discretion to refuse to register a transfer of any share which is not a fully paid share without giving a reason, but they must provide the transferee with a notice of refusal within two months after the date on which the transfer was lodged with the Company in the case of certificated shares, or, in the case of uncertificated shares notify such person as may be required by the Regulations and the requirements of the relevant system.

6.7.3 Subject to relevant legislation and sanction by extraordinary resolution passed at a separate class meeting of the holders of any class of shares which are convertible into equity share capital of the Company, the Company may purchase all or any of its shares on such terms as may be approved by such resolution.

6.8 *Borrowing Powers*

6.8.1 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future), and to create debenture and loan stock whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

6.8.2 The Directors shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate principal amount (together with any fixed or minimum premium payable on final repayment or redemption) at any one time remaining outstanding of all moneys borrowed by the Group (which expression means and includes the Company and its subsidiary undertakings from time to time) and from time to time owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the higher of £50,000,000 or three times the Adjusted Capital and Reserves.

7. Share Option Scheme

7.1 On 30 November 2005 the Company adopted (conditional on Admission) a share incentive scheme comprising an Enterprise Management Incentive Scheme ("EMI Scheme") for the purposes of recruiting and incentivising employees and Directors of the Group. The EMI Scheme is a replacement scheme to the one set up in 2002 (the "2002 EMI Scheme") pursuant to which no further options over Shares will be granted.

7.2 The rules of the EMI Scheme satisfy the requirements of Schedule 5 of the Income Tax (Earnings & Pensions) Act 2003 ("Schedule 5").

7.3 The Board (or a duly constituted committee of the Board) has discretion to select employees or Directors of the Company and any of its subsidiaries from time to time (such companies together constituting the "Group") who satisfy the requirements of Schedule 5 and grant them options under the EMI Scheme.

7.4 Options must be notified to the Inland Revenue within 92 days of the date of grant in order to qualify as valid EMI Scheme options under Schedule 5.

7.5 *Eligibility*

7.5.1 Options may only be granted to employees who work for at least 25 hours per week for the Group, or if less, devote 75 per cent. of their working time to the business of the Group and, do not have a Material Interest in the Company or any 51 per cent. Subsidiary.

7.6 *Limits*

7.6.1 *Limits prescribed by Schedule 5*

An option granted to an eligible employee under the EMI Scheme shall be limited and take effect so that the aggregate market value (measured at the date of grant of the relevant option) of shares subject to all options granted to that eligible employee under the EMI Scheme (or any other EMI Scheme operated by the Group ("Group EMI Scheme") shall not exceed £100,000 or such other limit prescribed by Schedule 5.

If an eligible employee has been granted an option (under the EMI Scheme or under any Group EMI Scheme, including options which have since been exercised or released ("EMI Option")) with an aggregate market value equal to the £100,000 limit no further EMI Options shall be granted to that eligible employee within three years of the date of grant of the last EMI Option.

The aggregate market value (measured at the date of grant of the relevant options) of shares subject to options granted under the EMI Scheme or under any Group EMI Scheme shall not exceed £3 million, or such other limit imposed by Schedule 5.

If the market value of all Shares subject to Options purportedly granted under the EMI Scheme exceeds the statutory limit set out above, the EMI Options which were most recently purportedly granted will be reduced pro rata to each other to the extent necessary to reduce the total market value to the statutory limit.

7.6.2 *Limits prescribed by the ABI guidelines*

No option to subscribe for shares may be granted by the Company after Admission under the EMI Scheme if the total number of issued and issuable shares over which options have been granted under the EMI Scheme or any other scheme operated by the Group would exceed 10 per cent. of the issued share capital of the Company. For the purposes of this limit options are aggregated over a period commencing on the Listing Date or, if later, over the previous ten years;

Options to acquire shares which are granted over, or satisfied by, shares which are treasury stock held by the Company are not options to subscribe for the purposes of the limit referred to above.

7.7 *Grant of EMI options*

Subject to Schedule 5, the Board, acting for and on behalf of the Company, may grant any Eligible Employee an Option over such number of shares at such option price and with such conditions as they determine.

7.8 *Exercise of options*

The Exercise Period is the period during which an option may be exercised, which in any event shall commence no later than the day before the tenth anniversary of the Grant Date.

An Option may only be exercised if any conditions of exercise specified at the Grant Date have been fulfilled to the satisfaction of the Board. Where conditions or limitations have in the opinion of the Board ceased to be capable of being satisfied or being satisfied in full that Option shall lapse in whole or in part. The Board may in its discretion waive, amend, vary or amend the condition if events occur which cause the Board to consider that a different condition or conditions would be a fairer measure of performance and the Board reasonably consider that this would result in the condition or conditions being neither more nor less difficult to satisfy.

7.9 *Termination of Employment*

If an Option Holder ceases to hold office or employment within the Group:

(a) He may exercise any of his Options within 40 days of the date of cessation to the extent that they are capable of exercise in accordance with the terms and conditions of the Option Agreement ("Vested") as at the date of cessation failing which his Vested Options shall lapse on the expiry of that 40 day period; and

(b) Any of his Options which have not Vested as at the date on which his office or employment cease shall lapse on the date of cessation.

7.10 *Variation of share capital*

The number of Shares over which an Option is granted and the Option Price thereof shall be adjusted in such manner as the Board shall determine following any capitalisation issue, rights issue, subdivision, consolidation or reduction of share capital to the intent that (as nearly as may be) the total option price multiplied by the number of shares that is payable in respect of an Option shall remain unchanged, provided that no adjustment shall be made if it would result in a Disqualifying Event as defined by sections 533 to 539 of the Income Tax (Earnings & Pensions) Act 2003.

7.11 *Alterations to the EMI Scheme*

The Board shall have the discretion to alter or add to the Scheme Rules and impose additional conditions or requirements on the Options or on the terms on which Shares are acquired, provided that no alteration or addition would have the effect of causing the Options to cease to satisfy the requirements of Schedule 5.

No amendment or addition shall be made to the Rules which would abrogate or adversely affect the subsisting rights of Option Holders unless made with the written consent of such number of Option Holders as hold Options under the Scheme to acquire 75 per cent. of the shares which would be issued or transferred if all Options granted and subsisting under the Scheme were exercised; or by a resolution at a meeting of Option Holders passed by not less than 75 per cent. of the Option Holders who attend and vote either in person or by proxy.

7.12 *Outstanding Options*

As at 30 November 2005 the following options remain outstanding under the 2002 EMI Scheme referred to in paragraph 7.1 above:

Name of Option Holder	*Number of Ordinary Shares*	*Exercise Price per share*
Senior Executive	691,500	10p
Employees	2,165,000	10-15p

8. Directors' and other interests

8.1 The interests of the Directors and their immediate families (which are beneficial interests save as indicated below) in the issued share capital of the Company which would be required to be notified to the Company pursuant to sections 324 and 328 of the Act or which would be required to be entered in the register of Directors' interests maintained by the Company pursuant to section 325 of the Act, including, so far as the Directors are aware, after making due and careful enquiry, interests of persons connected (within the meaning of section 346 of the Act) with the Directors which interests, if such connected persons were Directors, would be required to be disclosed pursuant to the Act, and the existence of which is known to or could with reasonable diligence be ascertained by the Directors, both as at the date of this document ("Current Position") and as they will be immediately after Admission, are as follows:

Name	*Number of Ordinary Shares prior to the Placing*	*Percentage of the issued ordinary share capital prior to the Placing*	*Number of Ordinary Shares following the Placing*	*Percentage of issued ordinary share capital following the Placing*	*Number of Ordinary Shares under Option*
Paul Barwick	300,000*	0.90	522,727	0.35	2,000,000****
Michael Alan Hughes	—	—	340,909	0.40	400,000****
Paul Johnson	16,250,000**	29.49	16,704,545	19.81	
Andrew Lee	2,000,000***	3.63	2,454,545	2.91	
John Read			113,636	0.13	

Notes:

* Includes 300,000 shares owned by Doreen Barwick (Mr Barwick's wife).

** These shares are owned by Technology Developments Limited, a company beneficially owned by Paul Johnson through a family trust which owns the entire issued share capital.

*** This figure includes 340,000 shares owned by Even Handed Licensing Limited, a company in which Andrew Lee and his wife own 80 per cent. of the issued share capital.

**** These options were granted on 30 November 2005 and are exercisable at par at any time during the period falling between 12 months and 60 months following Admission.

8.2 Save as disclosed in paragraph 8.1 above and in this paragraph 8.2, as at 30 November 2005 (being the latest practicable date prior to the publication of this document), so far as the Directors are aware, no person other than those listed below has any interest (within the meaning of Part VI of the Act) in the issued Ordinary Shares which immediately after Admission, would amount to three per cent. or more of the issued Ordinary Shares. None of the holders of Shares listed below has different voting rights from those attached to all Ordinary Shares.

Shareholder	*Number of Ordinary Shares*	*Percentage of issued share capital following the Placing and Admission*
Peter Sugarman	9,809,320	11.63%
Barry John Muncaster	4,800,000[1]	5.69%

[1] Includes 2,300,000 shares held by Ormiston Gore Securities, a company in which Mr Muncaster has a 99 per cent. interest and 1,500,000 shares held by Mr Muncaster's wife.

8.3 Save as set out in paragraphs 8.1 and 8.2 above none of the Directors or their connected parties has any interest in the share capital of the Company and the Company is not aware of any persons who following completion of the Placing directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

8.4 The Directors are not aware of any persons who directly or indirectly, jointly or severally, exercises or could exercise control over the Cpmpany. The Directors are not aware of any arrangements the operation of which may at a subsequent date resulting in a change of control of the Company.

8.5 There are no outstanding loans granted or guarantees provided by any member of the Company to or for the benefit of any of the Directors.

8.6 No Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by any member of the Company during the current or immediately preceding financial year or during any earlier financial year and which remains in any respect outstanding or unperformed.

8.7 In addition to directorships of companies within the Group the Directors hold, or have held over the past five years, the following Directorships:

Name	*Current*	*During the past five years*
Michael Alan Hughes	EA Technology Limited M3I Systems Inc. South Staffordshire PLC Oxford Instruments PLC South Staffordshire Water PLC	Midlands Power (Philippines) Limited Midlands Investments Limited Midlands Power (One) Limited Forestgen Limited Midlands Hydrocarbons (Pakistan) Limited Midlands Power (Bangladesh) Limited Midlands Power (Pakistan) Limited Avon Energy Partners Holdings NPGT Ltd Midlands Sales Limited International Power (UCH) Services Limited Midlands Power International Limited Midlands Power (UK) Limited International Power (UCH) Limited Magnolia Power (TPL) Limited Midlands Power (Indus) Limited Midlands Power (Hungary) Limited Midlands Generation (Overseas) Limited Midlands Power (Consultancy) Limited Midlands Power (Europe) Limited Midlands Power (HPL) Limited Central Networks PLC MEB (Overseas) Limited E.ON Energy UK Limited Central Networks Services Limited Central Networks West plc Aquila Power Investments plc Avon Energy Partners Limited Electricity Association Services Limited Electricity Association Limited Birmingham Royal Ballet Trust Octagon Computer Centre Limited Staffordshire University Enterprises Limited The University and Colleges Employers' Association

Name	*Current*	*During the past five years*
Andrew Lee	Even Handed Licensing Limited Sedition Magazines Limited Cavendish Lee Productions Limited The Library House Limited Project Spur Limited CT2003 Limited	Legislator 1588 Limited
Paul Thomas Johnson	Innogis Limited CT2003 Limited Energys Technical Services Limited	
Paul Barwick	None	None
John Read	Alpair Limited Cambridge Semiconductor Limited Si-Light Technologies Limited Enecsys Limited	Anadigm Limited Broadcom Europe Limited

8.8 Save as disclosed below, none of the Directors:

(a) has any unspent convictions in relation to indictable offences;

(b) has been made bankrupt or entered into any individual voluntary arrangement with creditors;

(c) has been a director of a company at the time or within twelve months preceding such time which entered into receivership, compulsory liquidation, creditors or members voluntary liquidation, administration, company voluntary arrangements or any composition or arrangement with its creditors;

(d) has been a partner at the time of or within 12 months preceding such time of that partnership entering compulsory liquidation, administation or partnership voluntary arrangements;

(e) has been a partner at a time or within 12 months preceding such time when as asset of that partnership, or of an asset of their own was put into receivership;

(f) has been publicly criticised by statutory or regulatory authorities or a professional body, or ever disqualified by a Court from acting as a directr of a company or from acting in the management or conduct of the affairs of any company.

Michael Hughes was a director of Midlands Power (Philippines) Limited, Midlands Investments Limited, Midlands Power (One) Limited, Forestgen Limited, Midlands Hydrocarbons (Pakistan) Limited, Midlands Power (Bangladesh) Limited, Midlands Power (Pakistan) Limited, NPGT Limited, Midlands Power (Hungary) Limited, and a director of Avon Energy Partners Limited at the time, or within 12 months of each of these companies entering into solvent liquidation.

Andrew Lee was a director of CT2003 Limited (previously called Cyan Technology Limited) when it entered into creditors' voluntary liquidation. Details of the liquidation are set out at paragraph 9.2 below.

Paul Barwick was a director of PD Technologies Limited (a wholly owned company of Mr Barwick's which ceased trading in 1997) and Paratech Solutions Limited (which went into receivership in 1993) when these companies entered into voluntary liquidation.

Paul Johnson was a director of Tangerine Computer Systems Limited (which went into compulsory liquidation in 1994 owing less than £50,000), Oric Products International Limited (whose parent company appointed a receiver and was dissolved in 1991), Array

Consultants Limited (which went into voluntary liquidation in 1996 owing approximately £20,000 to creditors), Array Technology Limited (which went into voluntary liquidation in 1996 owing approximately £20,000 to creditors) and CT2003 Limited (previously called Cyan Technology Limited) (details of which are referred to at paragraph 9.2 below) when each of these companies entered into liquidation.

Paul Johnson was unconditionally discharged on 31 January 1999 from a bankruptcy order made at Slough County Court on 31 January 1996.

8.9 Details of the Directors' contracts of employment and letters of employment are set out below:

8.9.1 On 30 November 2005, Paul Johnson entered into a service agreement with the Company under which he agreed to serve as chief executive of the Company at a current annual salary of £125,000 to be reviewed annually. The agreement is terminable by either party giving not less than 12 months' written notice. In addition to the basic remuneration, Mr Johnson is entitled to private health provision and life assurance.

8.9.2 On 30 November 2005, Paul Barwick entered into a service agreement with the Company under which he agreed to serve as sales director of the Company at a current annual salary of £100,000 to be reviewed annually. The agreement is terminable by either party giving not less than 12 months' written notice. In addition to the basic remuneration, Mr Barwick is entitled to private health provision and life assurance.

8.9.3 On 30 November 2005, Andrew Lee entered into a service agreement with the Company under which he agreed to serve as finance director of the Company for four days per week at a current annual salary of £80,000 to be reviewed annually. The agreement is terminable by either party giving not less than 12 months' written notice. In addition to the basic remuneration, Mr Lee is entitled to private health provision and life assurance.

8.9.4 On 30 November 2005, the Company entered into a letter of appointment with Mike Hughes as non-executive chairman subject to three months' notice of termination by either party. Mr Hughes will receive an annual fee of £50,000. Mr Hughes will also receive travel and other reasonable expenses. Mr Hughes will be a member of the audit, remuneration and nominations committees.

8.9.5 On 30 November 2005, the Company entered into a letter of appointment with Dr John Read as non-executive director subject to three months' notice of termination by either party. Mr Read will receive an annual fee of £25,000. Mr Read will also receive travel and other reasonable expenses. Mr Read will be a member of the audit, remuneration and nominations committees.

8.9.6 The aggregate remuneration and benefits in kind (including bonuses and profit shares) for the financial year ended 31 December 2004 was £nil. It is estimated that the aggregate remuneration and benefits in kind (including bonuses and profit shares) to be paid to the directors for the year ending 31 December 2005 will be approximately £205,000.

8.9.7 Save as set out in this paragraph 8.9, there are no existing or proposed service agreements between the Company and any of the Directors, which provide for benefits upon termination of employment or otherwise.

8.10 As at 31 December 2003, 31 December 2004 and 30 June 2005, the Group employed, in aggregate, approximately 3, 9 and 14 persons repectively. As at the date of this document, the Group employs 29 persons.

9. Material Contracts

9.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this document and are, or may be, material:

(a) an engagement letter dated 14 October 2005 between the Company and Collins Stewart pursuant to which, *inter alia*, the Company has appointed Collins Stewart to act as nominated adviser and broker to the Company for the purposes of the AIM

Rules subject to termination at any time upon written notice by either party to the other. The Company has agreed to pay to Collins Stewart a fee of £40,000 per annum for its services under the agreement.

(b) a placing agreement dated 1 December 2005 between Collins Stewart, the Directors and the Company, pursuant to which Collins Stewart has agreed, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 7 December 2005 (or such later time or date as the Company and Collins Stewart shall agree being not later than 19 December 2005) to use its reasonable endeavours to arrange for relevant placees to subscribe for the Placing Shares, failing which Collins Stewart will itself subscribe for the Placing Shares, at the Placing Price. The Company will pay to Collins Stewart a fee of £200,000 and a commission of 4 per cent. of the total aggregate value at the Placing Price of the Placing Shares, together with all costs and expenses and VAT where appropriate. The agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees payable in connection with Admission and the fees of the registrars. The agreement contains certain warranties given by the Company and the Directors in favour of Collins Stewart and an indemnity from the Company in favour of Collins Stewart. Collins Stewart may terminate the agreement in specified circumstances prior to Admission, including in the event of a breach of the warranties contained in the agreement.

(c) lock-in and orderly market agreements each dated 1 December 2005, pursuant to which each of Andrew Lee, Doreen Barwick (Paul Barwick's wife), Technology Developments Limited (a company controlled by Paul Johnson) and Even Handed Licensing Limited (a company controlled by Andrew Lee) have agreed (i) not to dispose of any interests in any of their Ordinary Shares for a period of 12 months from the date of Admission (save in certain limited circumstances) and (ii) thereafter, to effect any disposal through Collins Stewart (or such other brokers as shall have been appointed by the Company) to preserve an orderly market. In addition Andrew Lee has agreed not to dispose of any interests in 400,000 of his Ordinary Shares; Paul Barwick has agreed not to dispose of any interests in 500,000 of his Ordinary Shares; Technology Developments Limited have agreed not to dispose of any interests in 3,250,000 of their Ordinary Shares; Ormiston-Gore Securities Limited have agreed not to dispose of any interests in 460,000 of their Ordinary Shares, and Peter Sugarman has agreed not to dispose of any interests in 1,600,000 of his Ordinary Shares until (i) the Company announces a pre-tax profit of £1 million and (ii) the mid-market closing price of the Ordinary Shares on AIM as shown on Bloomberg is not less than 50 pence.

(d) an orderly market agreement dated 1 December 2005 pursuant to which Barry Muncaster has agreed, for a period of 12 months, to effect any disposal of any interest in any of his Ordinary Shares through Collins Stewart (or such other brokers as shall have been appointed by the Company) to preserve as orderly market.

(e) an option deed dated 1 December 2005 pursuant to which the Company has granted to Collins Stewart, in consideration of its services in connection with the Placing, an option over 2,529,322 Ordinary Shares (comprising 3 per cent. of the issued share capital of the Company immediately following Admission) at the Placing Price, such option to be exercisable at any time in whole or in part prior to the fifth anniversary of Admission.

(f) an option deed dated 1 December 2005 pursuant to which the Company has granted to Ghaliston Limited, in consideration of its services in connection with the Placing, an option over 2,107,768 Ordinary Shares (comprising 2.5 per cent. of the issued share capital of the Company immediately following Admission) at the Placing Price, such option to be exercisable at any time in whole or in part following the first anniversary of Admission and prior to the third anniversary of Admission.

(g) an option deed dated 1 December 2005 pursuant to which the Company has granted to Michael Hughes an option over 400,000 Ordinary Shares at par, such option to be exercisable at any time in whole or in part during the period between 12 months and 60 months following Admission.

(h) an option deed dated 1 December 2005 pursuant to which the Company has granted to Paul Barwick an option over 2,000,000 Ordinary Shares at par, such option to be exercisable at any time in whole or in part during the period between 12 months and 60 months following Admission.

9.2 In addition to the contracts set out in paragraph 9.1, the Company or its subsidiaries have entered into the following contracts, being contracts entered into otherwise than in the ordinary course of business which are, or may be material:

(a) Pursuant to an asset sale agreement dated 12 December 2002 and made between CT 2003 Limited (formerly Cyan Technology Limited (in creditors' voluntary liquidation) (the "Vendor") acting by its liquidator Stephen Mark Rout (the "Liquidator") and Cyan, the Company acquired the rights, title and interest of certain assets together with the goodwill of the business including the exclusive right to use the name "Cyan" and "Cyan Technology" as a trading name (the "Assets").

The initial purchase price for the Assets was twelve thousand pounds (£12,000). In addition, Cyan agreed to pay the Vendor, on a quarterly basis, 2.5 per cent. of all receipts received by Cyan from product sales attributable to or arising as a result of the sale of the Assets, such payments to continue until the creditors (amounting to £200,000 excluding for these purposes the directors and shareholders of the Vendor) have been paid in full.

Cyan has undertaken not to assign, sell, transfer title or dispose of any of the Assets to any party without the consent in writing of the Liquidator until all sums referred to in the paragraph above have been paid to the Vendor. These obligations may be waived in whole or in part at any time by the Liquidator at his sole discretion.

No representation, warranty or condition was given by or on behalf of the Vendor or its officers, or the Liquidator, its employees agents or advisers as to the condition, fitness for use, state of repair or quality of the Assets.

(b) Pursuant to an agreement between CCL and the Company dated 28 February 2003, CCL granted the Company the non-exclusive right, throughout the world for a period of 25 years, to: make and develop three separate products (that is silicon integrated circuits) which use the technology under CCL's patents relating to XAP and CCL's know-how in microcontroller architecture; XAP development support toolset and know-how comprising or based on any or all of the components of CCL's know-how; to use, warehouse, keep and supply such products; and to sub-licence such rights on similar terms. Neither party is obliged to disclose or licence any future improvements to the other party. Upon request and agreement as to reasonable terms, CCL is obliged to grant to Company a licence to use any registered or unregistered trade marks it has or may have for use on or in connection with the Company's products. Either party may terminate the agreement if the other is in breach. If CCL suffers an insolvency event then the agreement will be assigned to whoever acquires the relevant assets. If the Company suffers an insolvency event then provided that the royalties continue to be paid and a potential purchaser is identified within 90 days of the occurrence of the insolvency event then the agreement will continue. Otherwise the agreement will terminate.

The consideration for the grant of the licence for use in the eCOG1 and for two further products was the grant of a licence to CCL by the Company of certain of the Company's technology (see description below); and the payment by the Company of a royalty of 0.10 US$ per unit on the first 1.5 million units and 0.025 US$ per unit on any remaining units embodying all or part of the CCL technology.

The licence is assignable by either party to a wholly owned subsidiary subject to giving prior written notice to the other. CCL may assign the agreement as part of an assignment of rights in CCL XAP processor and associated toolkit. In addition, the Company can assign within 90 days of an insolvency event. Otherwise no assignment is possible without the prior written consent of the other.

The C-Compiler which forms part of CCL's technology under the licence was originally licensed exclusively to CCL by Codemist. CCL therefore negotiated with Codemist to accept non-exclusivity in respect of the C-Compiler licence and assisted the Company in its negotiations with Codemist to secure a licence for the C-Compiler for the Company in connection with and to the extent of the activities licensed to the Company under the CCL licence. (Details of the Codemist licence are below).

(c) Pursuant to an agreement between CCL and the Company dated 3 March 2003, the Company granted CCL the non-exclusive right, throughout the world, to modify, develop, incorporate in CCL's products, use, sell and sub-licence without constraint certain intellectual property and know-how that provides a further tool and functionality which works in conjunction with CCL's XAP, produced by the Company and known as CyanIDE; and certain improvements to the XAP toolkit and versions of such toolkit targeted at a particular processor core ("eCOG Toolkit") together with a further tool known as MakeReg which were acquired by the Company under the Asset Sale Agreement. The consideration for this licence was the grant of rights by CCL to the Company under the licence dated 23 February 2003. In the event that either party suffers an insolvency event then the agreement will continue and be assigned to whoever acquires the relevant assets. The agreement commenced on 3 March 2003 and, unless terminated by either party on the other's breach, will continue indefinitely.

The consideration for the grant of the licences is the entry into the 28 February 2003 licence agreement as referred to above by CCL.

(d) Pursuant to an agreement between the Old Cyan and Codemist dated 16 May 2002 (which was assigned to the Company by a deed of assignment dated 21 January 2004) the company has a worldwide licence to: load, store and run the Codemist software (that is, the Norcroft 'C' Compiler for the C language (as defined in BS EN 29899) adapted to generate code for the microcontroller architectures known by the names XAP1, XAP1s, XAP2 developed from the XAP processor as developed by CCL and their derivatives such as *eCOG1* but excluding any processor of ARM Limited or any derivatives thereof; and libraries as described in the above standard) on any host computer for the purpose of developing and producing any Developed Licensed Software ('DLS') (that is, compiler software developed from the Codemist software by the Company or on its behalf); procure development, develop, amend and adapt the Codemist software in such manner as may be required to produce any DLS by the Company; make such copies of the documentation and the code of the Codemist software as are appropriate and necessary in connection with the exercise of its rights; and make such copies of the documentation and the code of any DLS and deliver copies of the same as are appropriate and necessary in connection with the Company's rights to sublicence.

The rights granted to the Company are exclusive for the XAP1, XAP1s and XAP2 architectures, including eCOG1 and Codemist shall not itself exercise any rights granted above and except for any rights retained by CCL shall not authorise others to exercise such rights; and Codemist has undertaken that it shall not develop amend or adapt the Codemist software for such products. The Company has the world-wide right to grant any third party a license to use: any DLS in binary code form; and in connection with any such DLS license only, the library in source code form.

The Company has the exclusive worldwide right to grant to software houses a source code licence of any DLS only for the purpose of those software houses developing binary implementations for use by potential customers of the Company only. Each such source code licence shall require prior written approval of CCL. Codemist granted the Company the right to use the names 'Codemist' or 'Norcroft' on copies of any DLS. The Codemist Software remains the sole property of Codemist. Subject to CL's rights in the Codemist software and CCL's rights, the intellectual property rights in any part of the DLS capable of exploitation otherwise than by use of any part of the Codemist software shall be owned by the Company.

The consideration for the licence is a one time lump sum of £25,000 upon execution of the agreement; a one time lump sum of £100,000 at such time as the Company has shipped for supply to its customers and received payment in respect of more than one million units of microcontrollers; and in respect of each source code licence granted to a software house, the Company shall pay the greater of:£5,000; and half of any fee it receives from such a software house in respect of such source code licence. The Company may not assign the agreement without the prior written consent of Codemist.

10. Intellectual Property

Save as disclosed elsewhere in this document, neither the Company nor any of its subsidiaries has any dependency on patents or other intellectual property rights or licences which are of fundamental importance to the Group's business.

11. United Kingdom Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not in the course of a trade, and are based on current legislation and UK Inland Revenue practice. The position for employees subscribing for shares under this offer has not been addressed. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

11.1 *Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the issue of New Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

The New Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the New Ordinary Shares will usually constitute the base cost of a shareholder's holding.

If a shareholder disposes of all or some of his New Ordinary Shares, a liability to tax on chargeable gains may, depending on their circumstances, arise subject to, in the case of individuals and trustees, a deduction for so called taper relief the amount of which depends on various factors, in particular the length of the period of ownership of the shares.

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain.

11.2 *Stamp Duty and Stamp Duty Reserve Tax*

No charge to stamp duty or stamp duty reserve tax ("SDRT") will arise on the issue or registration of applications for Ordinary Shares under the Placing. Transfers of or sale of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the stamp duty consideration given). An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at the rate of 0.5 per cent.). However, if within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument any liability to SDRT will be cancelled or repaid. Paperless transfers of Ordinary Shares within CREST will generally be charged to SDRT (generally at the rate of 0.5 per cent.) rather than stamp duty. CREST is obliged to collect SDRT on relevant transactions settled within the system.

11.3 *Dividends and other Distributions*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend ordinary rate (10 per cent.) or the dividend upper rate (32.5 per cent.).

The income tax liability will then be reduced by the amount of the tax credit, being one-ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and associated tax credit. Therefore, the effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability of 22.5 per cent. of the aggregate of the dividend and associated tax credit giving an effective tax rate of 25 per cent. on the cash dividend received. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on such a dividend at the dividend trust rate, currently 32.5 per cent. As above, income tax is charged on the aggregate of the cash dividend and associated tax credit but the overall income tax liability is reduced by the tax credit, such that the effective tax rate on the cash dividend is 25 per cent. This credit is not available for the purposes of computing any additional tax which the trustees may have to pay on making distributions to beneficiaries out of income which includes such a dividend.

Under current UK tax legislation, no tax will be withheld by the Company when it pays dividends.

Persons who are not resident in the UK should consult their own tax advisers on what relief or credit may be claimed in the jurisdiction in which they are resident.

12. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that following Admission and taking into account of the net proceeds of the Placing and the bank facilities available to it, the Group will have sufficient working capital for its present requirements, that is for at least 12 months from Admission.

13. Litigation

The Group is not engaged in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the Group's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

14. Miscellaneous Information

14.1 Collins Stewart Limited, which is authorised and regulated by the Financial Services Authority, has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

14.2 The auditors of the Company are Deloitte & Touche LLP of City House, 126-130 Hills Road, Cambridge CB2 1RY who are a member of the Institute of Chartered Accountants in England & Wales.

14.3 Deloitte & Touche LLP have given and not withdrawn their written consent to the inclusion of their accountant's report in Part IV and references thereto in the form and context in which they appear and they accept responsibility for their report.

14.4 Innotec Limited of 5 Thurloe Square, London SW7 2TA has given and not withdrawn its written consent to the inclusion of its report in the form and context in which it appears and it accepts responsibility for the contents of such report. Innotec Limited has no material interest in Cyan.

14.5 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Group which has occurred since 30 June 2005, being the date to which the latest published financial results relate.

14.6 Save as disclosed in this document, there are no known trends, uncertainties, demands or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

14.7 Barry Muncaster a former director of the Company resigned on 14 November 2005 and his entitlement upon resignation was satisfied by the issue to him of 454,545 Ordinary Shares on 30 November 2005. There are no other persons (excluding professional advisers as stated in this document and trade suppliers) who have received directly or indirectly from the Group in the 12 months preceding the date of this document or have entered into contractual arrangements to receive, directly or indirectly, from the Group on or after Admission:

(a) fees totalling £10,000 or more;

(b) securities in the Group with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission

14.8 The Company's nominated adviser and broker is Collins Stewart Limited whose principal place of business is 9th Floor, 88 Wood Street, London EC2V 7QR.

14.9 The Placing Price represents a premium of 21.8p over the nominal value of 0.2p per Ordinary Share.

14.10 The financial information relating to the Company set out in Part IV of this document and otherwise in this document does not comprise statutory accounts as referred to in section 240(5) of the Act.

14.11 The gross proceeds of the Placing are expected to be £4.0 million. The total costs and expenses in relating to Admission and the Placing are payable by the Company and excluding value added tax are estimated to amount to £3.25 million.

14.12 It is expected that definitive share certificates will be despatched by first class post on 19 December 2005. No temporary documents of title will be issued.

14.13 No exceptional factors have influenced the Group's activities.

14.14 As far as the Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.

14.15 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the application procedures issued by Collins Stewart Limited until such time as the Placing becomes unconditional in all respects. If the Placing does not become unconditional in all respects by 19 December 2005, application monies will be returned to applicants as soon as practicable at their own risk and without interest.

14.16 Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Group's activities.

14.17 The Placing Shares have not previously been sold.

14.18 No admission to listing or trading of the Ordinary Shares is being sought on any stock exchange other than AIM.

14.19 Information in this document sourced from Gartner, Inc has been accurately reproduced, and as far as the Company is aware and is able to ascertain from information published by Gartner, Inc no facts have been omitted which would render the reproduced information inaccurate or misleading.

Dated 1 December 2005