

Date: 4 February 2011
On behalf of: Galleon Holdings plc ('Galleon', 'the Company' or the 'the Group')
Embargoed until: 0700hrs

Galleon Holdings plc
Preliminary results for the full year ended 30 September 2010

Galleon Holdings plc (AIM: GON), the AIM listed media company that publishes digital online and mobile content in China and develops and produces global multiplatform entertainment, is pleased to announce its results for the full year end 30th September 2010.

Highlights:

- Loss Before Tax of £20.2m (2009: Profit before tax of £1.1m)
- Adjusted Operating Loss* of £2.1m (2009: £1.2m)
- Cash at bank at 30 September 2010 of £2.85m (2009: £4.5m)
- Launch of Digital Publishing Business in China
- Galleon China becomes approved supplier of international content to China Mobile
- Croco secures major new client in Ferrero

*Adjusted Operating Loss is before charges for the impairment of assets of £15.8m, provision against loans and receivables of £2.2m and share option expense of £0.2m

CHAIRMAN'S STATEMENT

During this financial year we encountered some significant and rapid changes in the China mobile market which contributed to a significant (46%) drop in revenue for the year. We have responded during the year and have restructured operations, laying the foundations for growth in China as a digital publisher. Our entertainment revenues for 2010 were considerably down due to a number of reasons. Slippage in timelines for Apollo's Pad and Sokator-442 and lack of sponsorship funding for entertainment from the larger global consumer brands limited our sales activities and a number of sizable strategic deals were not concluded.

Strategic Focus

During the coming year we believe that the route to sustainable profitability is to focus on the digital operations that we have in China as a publisher of digital games and content across online and mobile platforms.

In 2009, the online games market in China was worth US\$3.7bn, a 39.5% increase over the previous year, with rapid growth predicted for the next five years (source: China Daily, Ministry of Culture). Social games alone, played by over 85m Chinese social network users, will be worth US\$400m by 2013 (Source: Analysys). This market for casual and social games will be further enhanced with the rapid growth of 'smartphones'; i.e. mobile phones with data connectivity and rich media features. Currently there are 40 million smartphones in China but they still form less than ten per cent of the total mobile market (Source: InStat, DCCI). The market is constrained by the relatively high prices of handsets and a lack of Chinese content coupled with limited payment mechanisms for this content. However with the rapid adoption of Android enabled smartphones, especially by low-cost local manufacturers, and an increasingly open policy from Apple we believe that the next 12 months will see significant growth in this market, both in terms of absolute handset numbers as well as value of content.

Galleon's digital operations in China expanded into online in the second half of the year. This, coupled with our mobile operation, plants us firmly in this very fertile marketplace and will allow us to operate as a digital publisher across both online and mobile channels.

This is an area that can give scalable and consistent growth to the Company. With most of the business being based on direct-to-consumer marketing and transactions, our modelling and forecasting is de-risked from being dependent on one sizeable partner like China Mobile. By driving the growth of this business we should be able to provide a solid financial bedrock for the business.

Initially our focus will be games content. This is the strongest content sector at the moment and the one with the most short-term potential for international content localisation.

A number of our other entertainment operations are still active despite management taking the view to significantly impair underperforming properties. With this in mind we have streamlined this business to focus on those properties which we believe have the potential to generate future revenues without significant capital investment. For the forthcoming year we have a diverse portfolio of MEP's which we will continue to exploit. The nature of this business is such that it can be difficult to predict but the potential returns remain significant if an MEP is a success. Sokator-442, Apollo's Pad, Super Soccer Star and its related brand extensions all have the potential to develop into meaningful franchises in a number of markets in the next 12 months.

Outlook

We are positive about the outlook for the next year. Whilst this last year saw a downturn in value for all areas of the business we have taken bold and immediate steps to change direction where necessary. Our key management team has remained in place and this has allowed us to respond and stabilise the business. Strategically we have invested in areas where there is tangible growth and made savings in all areas where growth is uncertain. We are building some direct to consumer critical mass in China with a new product mix, and have expanded our operations beyond the mobile channel into online. I am confident as this transition continues that the quality of our earnings will improve and that we will return to profitability this year.

David Wong

Executive Chairman

CHIEF EXECUTIVE'S STATEMENT

Financial summary

The Group experienced a difficult year in 2010 with revenues falling 46%, resulting in an operating loss before tax of £2.1m prior to adjusting for impairment of assets, provision against loans and receivables and share option charges totalling £18.2m. Following the year end the Group has focused on reducing its overhead in line with current trading levels. The fluctuation in revenue last year demonstrated a need to focus on long term sustainable revenue streams, hence the focus going forward on higher margin growth areas in the China digital space.

The Board has reviewed the carrying value of intangible assets and goodwill for impairment in accordance with the Group's accounting policy. Following the significant decline in profitability in the Phoenix Investments Global Limited business and forecast continued lack of profitability going forward, management consider that the goodwill of £2.25m attributed to this cash generating unit is impaired to nil. In assessing the recoverable amount of goodwill relating to Lushy Assets Limited the management has produced a sensitised ten year cash flow forecast based upon prudent assumptions for growth and the weighted average costs of capital. This is a result of the uncertainty of the market in which we operate and the subsequent uncertainty regarding cash flows and as such an impairment charge of £6.1m has been provided. Other intangible assets relate to those intangible assets acquired with the Phoenix and Lushy acquisitions and include customer lists, brand names and non compete agreements. Following the impairment of the goodwill arising on Lushy Assets Limited and Phoenix Investments Global Limited and the losses incurred by these entities in the year ended 30 September 2010, the Board has reviewed and impaired the majority of these intangible assets (£0.75m) as they are no longer deemed to be used by the business going forward to generate future revenues.

The Board has also tested the carrying value of intellectual property for impairment following the losses incurred in the year ended 30 September 2010, the change in focus of the business and the fact that the Group has achieved only limited success in exploiting these properties during the year. The Board has considered each Intellectual Property individually and has reviewed the opportunities for commercial exploitation, including the position with current commercial relationships entered into for each property. Where there are no significant relationships entered into at the balance sheet date that indicate future cash flows and the Board consider that no further development costs could usefully be invested into those properties, they have been fully impaired (Intangible Assets £5.8m). Where there are ongoing market opportunities management have made their best estimate of the expected cash flows from those opportunities for 12 months from the balance sheet date and have impaired the properties to the value of the net cash flows expected from these opportunities.

The Group has also made a provision against the loan to a key supplier of the Croco business totalling £2.2m as the Board consider that due to continuing cash flow difficulties of the supplier this may no longer be recoverable. Croco will continue to work with the supplier on various orders. The investment in Dragonfruit Studios of £0.9m has also been impaired due to uncertainty of future revenues.

Whilst the impairment adjustments are non cash, it is illustrative of the difficult market the Group is operating in and the resultant pressure on cash flows. In light of these events, the directors have prepared cash flow forecasts for the period ending 31 January 2012, which are aligned to the Group's revised strategy. The forecasts take account of the revenues from the launch of our first exclusive online game in China in December 2010 which is expected to generate significant revenues going forward in a growing market. The forecasts also take account of cost reduction measures that have been implemented in the business outside of China. Management will take further steps to reduce the overhead base should this be required to meet the working capital and cash flow requirements of the Group. The forecasts, which have been sensitised to reflect the market within which the Group operates, demonstrate that the Group has adequate resources to continue to fund the working capital and cash flow requirements of the Group for the foreseeable future. The Board remains committed to returning the Company to profitability in 2011 and will focus its cash resources on generating sustainable revenue streams, particularly from Digital Entertainment in China, to achieve this. This will allow easier modelling of the financials of the business going forward.

Entertainment - Digital

A key strategic focus for the Company during 2010 was to transition our China operation away from traditional low margin mobile activities towards higher value branded activities and content. This has involved widening our reach beyond mobile to include online, and also developing our product offering to encompass more sophisticated content that can be used to create our own digital entertainment platforms and "portals".

In the second half of the year we have been establishing our own online operation. This operation generates revenue from:

- 1/ Operating Online games portals. Revenues will come from advertising revenue, micro transaction sales of virtual items within the games and subscriptions.
- 2/ Acting as an online advertising and media agent

These are both fast growing areas in China. There are nearly 450 million people online in China. The online games market in China in 2009 was worth nearly US\$4 billion alone.

Mobile and online convergence

Being an online operator and retailer of digital content will also facilitate our growth in the new Smartphone market where revenue is generated from both one-time "App" purchases as well as on-going "in-App" micro-transactions. We

have all seen how this has revolutionised the mobile business in the West where smartphone technology has created a market for applications worth US\$6.8bn in 2010 (Source: Gartner). In China this is in its infancy but we believe that this phenomenon will be repeated in the next 18 months. There are approximately 600 million mobile phone subscribers in China. Smartphone penetration in China is expected to increase to 45% of mobile users by 2013 (Source: In-Stat) and data revenues generated from 3G non-messaging services are expected to grow to USD 20 billion by 2013 (Source: iSuppli).

During this last year we have been putting in place the infrastructure needed to publish digital content across these channels. This has involved recruiting and retraining staff, acquiring the necessary licenses and putting in place the marketing, billing and data capture procedures needed.

We believe that our knowledge of both the Western and Chinese entertainment markets gives us an advantage as licensed online and mobile publishers in China. As well as publishing Chinese content we are in the process of enhancing growth by securing the rights to localising and publishing Western content in China. In the initial stages of the Smartphone "Apps" growth in China this could give us a significant advantage due to the lack of Chinese specific content developed and ready for the marketplace.

Whilst we are excited by the ability to market mobile and online games and content direct to the consumer through our own portals, we have also been establishing publishing opportunities working with key operators in the marketplace, particularly with China Mobile and Tencent who reach 550 and 400 million consumers respectively. We announced earlier this year we are one of the few Chinese mobile Service providers licensed to offer foreign content to China Mobile's mobile games division.

Launch of online games operation

The strategy for the online games business is to grow our traffic by providing players of games with a wide range of quality non-exclusive games on our Portal Wowan365.com and to then enhance revenues and increase customer loyalty through operating our own exclusive games. These games follow a "Fremium" business model. This means that it is free for the customer to play initially but any deep involvement needs to be supported by micro-transactional purchases or subscriptions. Galleon's online games portal wowan365.com was launched in September 2010 and we have been testing our infrastructure and marketing techniques since then. At the end of January 2011 we were actively operating 8 non-exclusive games and our first exclusive game "Saga of Heroes". The portal wowan365.com currently has more than 2.5 million registered players and is generating revenues in excess of £200,000 per month. By the end of the year we plan to have 15 non exclusive and 2 third party exclusive games and 2 wholly owned customized games in the market. We are targeting 5 million registered players and 150,000 registered paying players.

Besides local Chinese games, Galleon is also now in a position to localise, publish and operate Chinese versions of Western online games, providing a valuable service for international publishers.

The strategy of creating portals where we know our customers consumption habits will allow us to maximise cross promotion and marketing efficiency. We will be able to cross promote both mobile and online games to our online games and mobile games customers through the respective portals that they visit and through the games that they play. The continued growth of the online games market and the arrival of Smartphones and the associated content is set to create a critical stage of growth in China's digital media marketplace in the coming 18 months.

Entertainment – Other

The Sokator-442 animated movie is now complete and is being sold around the world. The movie is supported by the online game and also the TV game show. The movie has already been sold to Nickelodeon for Australia and New Zealand and is being distributed internationally by Bejuba, a specialist in the exploitation of kid-targeted entertainment content. We are confident that the unique multiplatform mix and the quality of the property will allow present opportunities to grow this as a brand in certain markets going forward. Our family MEP's of Super Soccer Star, Super Fashion Stars and Super Golf Star continue to attract interest. However during the last year access to sponsorship funds for any entertainment properties has been very limited and these funds are critical to launching these properties in market. As a result of this, many of the partners who have bought rights from us, have had the TV launch of their properties delayed. We believe that this situation will improve during 2011 based on conversations that are currently taking place in key markets. Apollo's Pad has sales discussions for the first series under way in a number of territories.

In China we have been looking for a way to act in partnership with a broadcaster whose interests are aligned with what our digital publishing business is doing and also who can leverage our international reach. To this end we have entered into a strategic relationship with Digital broadcaster Qinghai Satellite TV (QSTV) who in May of 2010 re-launched under a JV with leading broadcaster Hunan Satellite TV. Galleon will partner with QSTV to manage and

develop the Talent that the channel produces from its activities as a broadcaster, extending this talent beyond TV into online and mobile channels

Product

As a part of the rationalisation process Croco has streamlined further by moving operations from the UK to Hong Kong. Securing Ferrero as a new client during 2010 is a major step for the Company this year. Recovery has been slow but steady. The order book for 2011 is already approx. £1.6m with significant new customers being targeted to grow revenues going forward.

Outlook

During a very difficult year Galleon has had to change its operational emphasis. We continue to see value in the media sector and in Croco but we anticipate that the best quality of earnings for Galleon in 2011 will come from the Chinese digital entertainment market. For 2011 our main focus will be games for the online sector with a view to growing with the Smartphone content market as it grows.

Stephen Green

Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2010

	Note	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Revenue	2	14,661	27,068
Cost of sales		<u>(12,102)</u>	<u>(21,247)</u>
Gross profit		2,559	5,821
Administrative expenses		(22,869)	(4,847)
Administrative expenses			
Depreciation, amortisation		(996)	(959)
Provision against loans and receivables		(2,167)	-
Impairment of assets	5,6,7	(15,807)	(109)
Other		(3,899)	(3,779)
(Loss) / profit from operations		(20,310)	974
Finance income		148	165
Finance costs		(2)	(5)
(Loss) / profit before taxation		(20,164)	1,134
Taxation	3	241	(132)
(Loss) / profit for the financial year attributable to the equity holders of the Company		(19,923)	<u>1,002</u>
Other comprehensive income			
Foreign Exchange		152	1,590
Total comprehensive (expenditure) / income for the period		(19,771)	<u>2,592</u>
(Loss) / earnings per share			
- Basic	4	(12.1p)	0.8p
- Diluted		(12.1p)	0.6p

All of the activities of the group are classed as continuing.

GALLEON HOLDINGS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2010

		30 September 2010 £'000	30 September 2009 £'000
ASSETS	Note		
Non-current assets			
Property, plant and equipment		253	336
Available for sale financial assets	7	-	249
Goodwill	5	2,922	11,018
Intangible assets	6	515	4,455
Loans and receivables		-	1,888
		<u>3,690</u>	<u>17,946</u>
Current assets			
Inventories		548	2,484
Trade and other receivables		2,639	6,753
Cash and cash equivalents		2,850	4,514
		<u>6,037</u>	<u>13,751</u>
Total assets		<u>9,727</u>	<u>31,697</u>
LIABILITIES			
Non-current liabilities			
Deferred taxation		-	301
Current liabilities			
Trade and other payables		1,952	4,230
Borrowings		-	8
Corporation tax		437	575
		<u>2,389</u>	<u>4,813</u>
Total liabilities		<u>2,389</u>	<u>5,114</u>
EQUITY			
Share capital		1,674	1,400
Shares to be issued		-	4,018
Reserves		5,664	21,165
Equity interests attributable to equity holders of the company		<u>7,338</u>	<u>26,583</u>
Total equity and total liabilities		<u>9,727</u>	<u>31,697</u>

The financial statements were approved by the Board of Directors on 04 February 2011.

Stephen Green
Director

Hayden Eastwood
Director

GALLEON HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

AT 30 SEPTEMBER 2010

	Notes	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Operating activities			
(Loss) / profit for the year		(19,923)	1,002
Taxation		(241)	132
Finance income		(146)	(160)
Loss on sale of property, plant and equipment		53	-
Depreciation of property, plant and equipment		193	336
Impairment of goodwill		8,390	109
Impairment of intangible assets		6,534	623
Amortisation of intangible assets		803	-
Impairment of available for sale financial asset		883	-
Impairment of loan advanced to supplier		2,167	-
Decrease in inventories		535	1,450
Decrease / (Increase) in trade and other receivables		4,054	(2,460)
(Decrease) / Increase in trade and other payables		(2,370)	1,515
Share based payments		208	134
Foreign exchange		(116)	(350)
		<u>1,024</u>	<u>2,331</u>
Taxation paid		(210)	(142)
Interest received		27	8
		<u>841</u>	<u>2,197</u>
Net cash inflow/(outflow) from operating activities			
Investing activities			
Purchase of property, plant and equipment		(141)	(271)
Purchase of intangible assets		(1,989)	(2,280)
Purchase of subsidiary undertakings		(58)	(126)
Purchase of available for sale financial assets		(317)	(178)
		<u>(2,505)</u>	<u>(2,855)</u>
Net cash outflow from investing activities			
Financing activities			
Issue of shares		-	3,850
Expenses paid in connection with share issues		-	(184)
Receipts from borrowings		-	182
		<u>-</u>	<u>3,848</u>
Net cash inflow from financing activities			
Movement in cash and cash equivalents			
Cash and cash equivalents brought forward		<u>4,514</u>	<u>1,324</u>
		<u>2,850</u>	<u>4,514</u>
Cash and cash equivalents carried forward			

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AT 30 SEPTEMBER 2010

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Capital redemption reserve £'000	Other reserves £'000	Foreign exchange reserve £'000	*Retained earnings £'000	Total equity £'000
At 1 October 2008	998	16,418	5,864	9,601	210	182	(13,761)	19,512
Issue of share capital	402	5,972	-	-	-	-	-	6,374
Cost of issue of share capital	-	(183)	-	-	-	-	-	(183)
Deferred consideration	-	-	(1,846)	-	-	-	-	(1,846)
Share based payments	-	-	-	-	-	-	134	134
Transactions with owners	402	5,789	(1,846)	-	-	-	134	4,479
Profit for the year	-	-	-	-	-	-	1,002	1,002
Foreign exchange	-	-	-	-	-	1,590	-	1,590
Total comprehensive income for the year	-	-	-	-	-	1,590	1,002	2,592
At 30 September 2009	1,400	22,207	4,018	9,601	210	1,772	(12,625)	26,583
Issue of share capital	274	4,065	-	-	-	-	-	4,339
Cost of issue of share capital	-	(3)	-	-	-	-	-	(3)
Deferred consideration	-	-	(4,018)	-	-	-	-	(4,018)
Share based payments	-	-	-	-	-	-	208	208
Transactions with owners	274	4,062	(4,018)	-	-	-	208	526
Loss for the year	-	-	-	-	-	-	(19,923)	(19,923)
Foreign exchange	-	-	-	-	-	152	-	152
Total comprehensive income for the year	-	-	-	-	-	152	(19,923)	(19,771)
At 30 September 2010	1,674	26,269	-	9,601	210	1,924	(32,340)	7,338

*Retained earnings include a share based payment reserve of £532,000 at 30 September 2010 (2009: £324,000).

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AT 30 SEPTEMBER 2010

1 BASIS OF PREPARATION

The Group financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Company's shares are listed on the AIM market of the London Stock Exchange.

The principal accounting policies of the Group, which have been applied consistently, are set out in the annual report and financial statements.

Going concern

As reported in the Chairman's statement, the Group has had a challenging year and this, coupled with a change in strategic focus and market conditions, has resulted in the impairment of a number of the Group's assets and a loss for the period of £19,923,000. Whilst the impairment of intangible assets and goodwill of £15,807,000 is non cash, it is illustrative of the difficult market the Group is operating in and the resultant pressure on cash flows. In light of these events, the directors have prepared cashflow forecasts for the period ending 31 January 2012 which are aligned to the Group's revised strategy. The forecasts take account of the revenues from the launch of online games in China which are expected to generate significant revenues going forward in a growing market. The forecasts also take account of cost reduction measures that have been implemented in the business. Management will take further steps to reduce the overhead base should this be required to meet the working capital and cash flow requirements of the group.

The forecasts, which have been sensitised to reflect the uncertain market within which the Group operates, demonstrate that the Group has adequate resources to continue to fund its working capital and cash flow requirements for the foreseeable future.

On this basis the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result if the assumptions detailed above are not met.

2 SEGMENTAL ANALYSIS

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

Period ended 30 September 2010	Product £'000	Entertainment Digital £'000	Entertainment Other £'000	Unallocated £'000	Eliminated £'000	Total £'000
Revenue						
From external customers	2,826	11,148	687	-	-	14,661
From other segments	8	-	249	-	(257)	-
Segment revenues	<u>2,834</u>	<u>11,148</u>	<u>936</u>	-	<u>(257)</u>	<u>14,661</u>
(Loss) before taxation	<u>(170)</u>	<u>(1,518)</u>	<u>(17,763)</u>	<u>(713)</u>	-	<u>(20,164)</u>
Period ended 30 September 2009	Product £'000	Entertainment Digital £'000	Entertainment Other £'000	Unallocated	Eliminated	Total £'000
Revenue						
From external customers	5,569	18,307	3,192	-	-	27,068
From other segments	21	-	222	-	(243)	-
Segment revenues	<u>5,590</u>	<u>18,307</u>	<u>3,414</u>	-	<u>(243)</u>	<u>27,068</u>
(Loss) / profit before taxation	<u>(158)</u>	<u>1,790</u>	<u>289</u>	<u>(787)</u>	-	<u>1,134</u>

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AT 30 SEPTEMBER 2010

As at 30 September 2010	Product £'000	Entertainment Digital £'000	Entertainment Other £'000	Unallocated £'000	Eliminated £'000	Total £'000
Assets	1,264	1,269	7,194	-	-	9,727
Liabilities	(279)	(1,327)	(783)	-	-	(2,389)
Net Assets / (liabilities)	985	(58)	6,411	-	-	7,338
As at 30 September 2009	Product £'000	Entertainment Digital £'000	Entertainment Other £'000	Unallocated £'000	Eliminated £'000	Total £'000
Assets	1,150	10,116	20,431	-	-	31,697
Liabilities	(265)	(2,979)	(1,870)	-	-	(5,114)
Net Assets	885	7,137	18,561	-	-	26,583
As at 30 September 2010	Product £'000	Entertainment Digital £'000	Entertainment Other £'000	Unallocated £'000	Eliminated £'000	Total £'000
Capital expenditure	7	58	2,122	-	-	2,187
Amortisation/depreciation/ impairment	62	6,978	8,880	-	-	15,920
As at 30 September 2009	Product £'000	Entertainment Digital £'000	Entertainment Other £'000	Unallocated £'000	Eliminated £'000	Total £'000
Capital expenditure	194	122	2,235	-	-	2,551
Amortisation/depreciation /impairment	226	36	806	-	-	1,068

The Group's revenue from external customers and its geographic allocation of non-current assets may be summarised as follows

	30 September 2010		30 September 2009	
	Revenues £000	Assets £000	Revenues £000	Assets £000
United Kingdom	35	2,274	907	12,534
China	11,389	7,204	18,165	18,397
Rest of World	3,237	249	7,996	766
Total	14,661	9,727	27,068	31,697

3 TAXATION

	2010 £'000	2009 £'000
United Kingdom corporation tax at 28% (2009 : 28%)	(37)	(4)
Adjustment in respect of prior year	-	(38)
Overseas taxation	97	271
Total current taxation	60	229
Deferred taxation		
Origination of temporary differences (note 19)	(301)	(92)
Adjustments in respect of prior years	-	(5)

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AT 30 SEPTEMBER 2010

Taxation (credit) / charge for the year	(241)	132
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The tax assessed for the year differs from the standard rate of Corporation Tax in the UK as explained below:

	2010	2009
	£'000	£'000
(Loss) / Profit before tax	(20,164)	1,134
(Loss) / Profit before tax multiplied by standard rate of Corporation Tax in the UK of 28% (2009: 28%)	(5,646)	318
Effect of:		
Expenses not deductible for tax purposes	3,475	157
Income not taxable for tax purposes	(61)	-
Movement in unrecognised deferred tax assets (loss recognition)	1,868	(445)
Prior year deferred tax	-	(5)
Adjustment in respect of prior years	-	(38)
Profits taxed at 21%	-	(2)
Differences between UK and overseas tax rates	(22)	(65)
Overseas losses not recognised	145	212
Tax (credit) / charge for the year	(241)	132

4 EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated in accordance with IAS 33, which requires that earnings should be based the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares is issued during the period.

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options.

The calculation of the basic and diluted earnings per share is shown below.

	2010	2009
	£'000	£'000
(Loss) / profit after tax	(19,923)	1,002
Weighted average number of shares (No in 000's)	163,981	119,474
Weighted average number of share options	18,515	10,676
Shares to be issued	-	24,559
Weighted average number of shares (No 000's) used for diluted earnings per share	182,496	154,709
Basic (loss)/earnings per share (in pence)	(12.1p)	0.8p
Diluted (loss)/earnings per share (in pence)	(12.1p)	0.6p

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AT 30 SEPTEMBER 2010

5 GOODWILL

	Goodwill on consolidation £'000
Cost	
At 1 October 2008	22,494
Fair value adjustment to additions in prior year	191
Additional deferred consideration payable	1,276
Deferred consideration not payable	(657)
Disposals	(339)
Foreign exchange	1,163
	<hr/>
At 1 October 2009	24,128
Additions	56
Deferred consideration not payable	(7)
Foreign exchange	245
	<hr/>
At 30 September 2010	24,422
	<hr/> <hr/>
Impairment	
At 1 October 2008	13,340
Charge for the year	109
Disposals	(339)
	<hr/>
At 1 October 2009	13,110
Charge for the year	8,390
	<hr/>
At 30 September 2010	21,500
	<hr/> <hr/>
Net book amount at 30 September 2010	2,922
	<hr/> <hr/>
Net book amount at 30 September 2009	11,018
	<hr/> <hr/>

Goodwill impairment

.At 30 September the net book amount of goodwill by acquisition comprised the following

	2010 £'000	2009 £'000
Cash generating units (CGU's)		
Croco Worldwide Sourcing Limited	379	379
Green and Dunne Limited	-	-
Phoenix Investments Global Limited	-	2,232
Lushy Assets Limited	2,491	8,407
Qin Wang	52	-
	<hr/>	<hr/>
Net book amount at 30 September	2,922	11,018
	<hr/> <hr/>	<hr/> <hr/>

The Directors have tested for impairment the goodwill relating to all cash generating units in accordance with the Group's accounting policy.

Phoenix Investments Global Limited

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AT 30 SEPTEMBER 2010

Following the significant decline in profitability in the Phoenix Investments Global Limited business and forecast continued lack of profitability going forward, the Directors consider that the goodwill attributed to this cash generating unit is impaired to nil.

Lushy Assets Limited

The Directors, in assessing the recoverable amount of the goodwill relating to Lushy Assets Limited have produced a series of sensitised ten year cashflow forecasts to determine its value in use. The base cash flow forecast has been discounted at a discount rate of 11%, which the Directors believe fairly reflects the Group's weighted average cost of capital. The other key assumptions with regard to the base sales and profitability forecasts of Lushy Assets limited are as follows:

- revenues in the first year are received from an online game that has launched since the year end and an online game due to launch later in 2011

- sales from the online games will increase at a growth rate of 5% for each year from 30 September 2011

- no sales have been recognised for the smartphone applications expected to launch in the year ending 30 September 2011 due to the uncertainty of the level and timing of these revenues

These forecasts have been sensitised and an impairment charge of £6,143,305 has been provided based on a 20% reduction in the revenues from the online games in the first year and a growth rate of 5% applied to those reduced revenues. This has been applied due to the uncertainty of the market in which the business operates and current economic conditions that prevail in China and the UK.

The Croco and Qin Wang business units have also been reviewed for impairment and this review concluded that the recoverable amount based on value in use exceeded the book value. The impairment charge in 2009 related to the Greene and Dunne business which has ceased trading.

6 INTANGIBLE ASSETS

	Intellectual property rights £'000	Trademarks £'000	Website £'000	Licences £'000	Software £'000	Other £'000	Total £'000
Cost							
At 1 October 2008	2,193	56	18	458	226	718	3,669
Transfer from work in progress	2,160	-	-	-	-	-	2,160
Additions	-	15	-	-	61	43	119
Disposals	(92)	-	-	-	-	-	(92)
Foreign Exchange	-	-	-	-	3	-	3
At 30 September 2009	4,261	71	18	458	290	761	5,859
Transfer from work in progress	1,401	-	-	-	-	-	1,401
Additions	1,973	11	5	-	-	-	1,989
Foreign Exchange	-	-	-	-	9	-	9
At 30 September 2010	7,635	82	23	458	299	761	9,258
Impairment							
At 1 October 2008	-	-	-	-	-	-	-
Provided during the year	-	-	-	-	-	-	-
At 30 September 2009	-	-	-	-	-	-	-
Provided during the year	5,773	-	-	291	127	343	6,534

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At 30 September 2010	5,773	-	-	291	127	343	6,534
Amortisation							
At 1 October 2008	604	12	9	87	45	116	873
Provided during the year	355	7	4	40	53	164	623
Disposals	(92)	-	-	-	-	-	(92)
Foreign Exchange	-	-	-	-	-	-	-
At 30 September 2009	867	19	13	127	98	280	1,404
Provided during the year	563	7	4	40	72	117	803
Disposals	-	-	-	-	-	-	-
Foreign Exchange	-	-	-	-	2	-	2
At 30 September 2010	1,430	26	17	167	172	397	2,209
Net book amount at 30 September 2010	432	56	6	-	-	21	515
Net book amount at 30 September 2009	3,394	52	5	331	192	481	4,455

Other intangible assets relate to those intangible assets acquired with the Phoenix and Lushy acquisitions and include customer lists, brand names and non compete agreements.

Following the impairment of the goodwill arising on Lushy Assets Limited and Phoenix Investments Global Limited and the losses incurred by these entities in the year ended 30 September 2010, the Directors have reviewed the carrying value of these assets in accordance with the Group's accounting policy. This review has resulted in the assets being fully impaired as they are no longer deemed to be used by the business going forward to generate future revenues. This in part follows the change in direction of the business as reported within the Chairman's and Chief Executive's statements.

The Directors have also tested the net book value of intellectual property for impairment following the losses incurred in the year ended 30 September 2010, the change in focus of the business and the fact that the Group has achieved only limited success in exploiting these properties during the year. The Directors have considered each Intellectual Property individually and have reviewed the opportunities for commercial exploitation, including the position with current commercial relationships entered into for each property. Where there are no significant relationships entered into at the balance sheet date that indicate a future cash flow and the Directors consider that it is unlikely that future development costs could usefully be invested into those properties, they have been fully impaired.

Where there are ongoing market opportunities management have made their best estimate of the expected cash flows from those opportunities for 12 months from the balance sheet date and have impaired the properties to the value of the net revenues from these opportunities.

7 INVESTMENTS

Interests in joint ventures

At 30 September 2010 the Group had interests in the following joint venture:

Joint venture	Country of incorporation	Class of share capital held	Proportion held		Nature of business
			By the Company %	By the Group %	
Peppers Patrol Limited	England and Wales	Ordinary shares of £1 each	50	50	Dormant

The group's aggregate share in its joint venture comprises:

2010	2009
£'000	£'000

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AT 30 SEPTEMBER 2010

Current assets	736	736
Liabilities due within one year	(736)	(736)
	<u>-</u>	<u>-</u>

The Group's share of the results of Peppers Patrol Limited was £nil (2009: £nil). The joint venture has been accounted for using the equity method of accounting.

Available for sale financial assets

Cost	£'000
At 1 October 2009	249
Additions	634
Impairment	(883)
At 30 September 2010	<u>-</u>

On the 26 January 2010, the company acquired a 19% shareholding in Dragonfruit Studios. The consideration was US\$1,000,000 represented by \$500,000 cash, \$500,000 ordinary 1p shares in Galleon Holdings plc. The Directors have reviewed the carrying value of this investment and consider it to be impaired. Dragonfruit Studios has failed to produce significant revenues and perform against forecasts.

8 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The summarised consolidated statement of financial position at 30 September 2010 and the summarised consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and associated notes for the year then ended have been extracted from the Group's 2010 statutory financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498 of the Companies Act 2006.

The accounts for the year ended 30 September 2010 will be posted to shareholders and laid before the company at the Annual General Meeting the date of which will be advised shortly. Copies will also be available on the Company's website (www.galleonplc.com) in accordance with AIM Rule 26.