

GALLEON HOLDINGS PLC

CHAIRMAN'S STATEMENT

For the year ended 30 September 2005

Group Highlights

- Significant increases in activity have resulted in Group turnover and gross profit for the 12 months exceeding that of the previous 18 months
- New management's focus on core, revenue-generating activities has streamlined the business
- Acquisition of 'Skunk fu!' and 'Mysti' has added 2 new revenue-generating brands with excellent TV placement
- Croco Worldwide Sourcing Limited has won major new clients and enjoyed its strongest turnover to date

I am pleased to present Galleon's financial results for the 12-month period ended 30 September 2005. The operating loss in this period was £1,416,285 compared with £6,202,872 as reported in our 2004 Annual Report for the 18-month period up to 30 September 2004. Included in the operating loss for the 12-month period ended September 2005 is a provision totalling £487,596 which includes a write down of the debt owed by Peppers Patrol Limited and the writing off of 'Professor Winklebottom's Smelly Universe', 'Malcolm' and 'Oggies'. Turnover has significantly grown at £1,134,456 compared with £971,564 for the previous 18-month period.

New Management Team and Board Changes

In 2005, we introduced a new management team, with Stephen Green and Len Dunne joining in January in the roles of CEO and Managing Director. In October 2005, Hayden Eastwood joined the company as Finance Director.

Pritesh Desai joined the board during 2005 as non-executive Director. Meanwhile, Andrew Flatt, who has served on the board as a non-executive Director since 2001, has stepped down. We would like to thank Andrew for his support.

Focused Future

The new management team has realigned the company to focus on the key areas of the business. A series of intellectual property rights acquisitions made during 2005 have placed the company in a favourable position for continued growth in 2006 and beyond.

As part of this process existing activities were reviewed with a view to prioritising our future efforts and resources. As a result, we have decided to write off those projects which will no longer be our focus going forward, and this includes a partial write down of the value attached to 'Peppers Patrol.'

Outlook

Galleon now has a totally focused strategy: a strong portfolio of long-term sustainable children's IP with first revenues due imminently and, alongside this, a premiums business which is delivering regular revenues and has an attractive order book.

With the new management team in place, we are, without doubt, in our strongest position to date with solid foundations from which to deliver real growth for our shareholders

James C. Driscoll MBE

Chairman

GALLEON HOLDINGS PLC

CHIEF EXECUTIVE'S STATEMENT

For the year ended 30 September 2005

Review of Operations

During the period under review the new management team realigned the company's focus on two key areas of the business: Galleon's entertainment business and Croco Worldwide.

Galleon's Entertainment Business

Galleon owns, develops and manages entertainment based intellectual property (IP) rights targeted at children and "tweens".

We have significantly strengthened our IP portfolio so that we are balanced in terms of brand maturity as well as genre. Specifically, we have focused on acquiring IP rights that will generate revenue from 2006 onwards.

In October 2005, we acquired a 15% equity stake and the global merchandising rights, excluding Germany, to 'Skunk fu!', an animated series targeted at boys and girls aged 5-11 years old. Currently 52 episodes of animation are in production and the show has already been pre-sold to the BBC and Super RTL in Germany. We believe that this property will have strong global reach. We signed our first licensing deal for publishing in December with Imaginere. The publishing programme is now being developed and this will seed the property in the UK prior to the first airing of the TV series. This will help to build the property whilst also delivering royalties to Galleon. Multiple territory revenues coupled with the diverse category application of this brand will provide Galleon with long-term sustainable income for the future.

In November 2005, we also acquired the "tween" girl targeted brand 'Mysti', the number one rated BBC show for girls aged 10 – 15. The live action TV show, now in its second series, was launched in the UK on the BBC in 2004. The property also has a strong publishing presence at retail with book sales exceeding 130,000 units to date. The brand generates revenue from the production of the TV series alone and we will be looking to build on this with new revenue streams by introducing merchandise into the UK market and by selling the TV series into international territories.

As well as building our portfolio of brands that are active in market, we have significantly enhanced our development pipeline. Of the properties that are wholly owned by Galleon, our focus has been on 'Sokator-442', the soccer-based animated TV show for boys and girls aged 6-11 years old that was part of the portfolio in Green and Dunne Ltd, which Galleon acquired in 2005. This has been fully developed during 2005 and following a hugely positive reaction at Mipcom, the TV sales market, in October, is currently under consideration with broadcasters in all major territories.

Also in 2005, Galleon acquired the worldwide exploitation rights for 'Hoo Ha House', the pre-school property developed by Imagination. 'Hoo Ha House' has successfully been launched in the UK with a publishing programme. As part of the publishing programme, 2,000 schools were sent books and activity packs as a part of the launch of the first book in October 2005. By the end of 2006, 13 'Hoo Ha House' titles will be in market, building awareness with both parents and children. On the back of this heavyweight publishing programme, the property has also been developed as an animated TV series of 52 x 10 minutes and is currently being considered by UK broadcasters, with early interest from the US.

Galleon has retained its 50% ownership of 'Peppers Patrol', the pre-school property, currently being developed as a stop frame animated TV show by our JV partners Coolabi.

Croco Worldwide Sourcing Limited

Croco Worldwide Sourcing Limited designs, patents, sources and supplies in-pack premiums to global FMCG companies.

The focused strategy - of moving away from the low margin and highly competitive general sourcing market segment and focusing on the higher margin but more complex in-pack premium segment - is paying dividends.

Croco Worldwide is building a reputation for being highly creative and also highly competent in delivering product into market, on time and on budget. The company has developed a strong relationship with one of the main global FMCG companies, resulting in a significant order exceeding \$1M already in place for delivery in Summer 2006.

Looking forward, we will be adding sales capabilities to this side of the business to open up new clients.

GALLEON HOLDINGS PLC

CHIEF EXECUTIVE'S STATEMENT

For the year ended 30 September 2005

Outlook

2005 was a year where we have focused the Group on building a solid platform for future growth. In 2006, we will see the benefits of this coming through in revenues, with the advances and royalties from Galleon Entertainment IP and continued growth of the Croco Worldwide business.

The outlook for Galleon has never been stronger. The business from our existing customers in 2006 and the increased levels of new business activity that we are seeing at Croco, has encouraged us to add resource to sustain the growth of this business. In 'Skunk fu!' and 'Mysti' we have 2 complementary brands that are in market and will generate revenue from 2006 and, when combined with our strong development slate, deliver a good balance of IP. A successful fundraising in November raised £1.25 million and this has given us the capital needed to fund this growth.

Strategically, we will be capitalising on the synergies between our Entertainment IP and Product IP. We are starting to have discussions now with our FMCG clients about future promotions where we are supplying the Entertainment brand as well as the product IP. This provides added value to Croco and a powerful marketing resource for the brand in market.

In summary, this has been a defining year for the Group and I'd like to thank our employees for their commitment and passion during 2005 as well as our shareholders, for your continued support.

Stephen T. Green

Chief Executive

GALLEON HOLDINGS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2005

	Note	Year ended 30 September 2005 £	Year ended 30 September 2005 £	18 months ended 30 September 2004 £	18 months ended 30 September 2004 £
Turnover			1,134,456		971,564
Cost of sales			(1,023,883)		(914,917)
Gross profit			110,573		56,647
Other administrative expenses		(1,449,560)		(1,498,382)	
Amortisation and impairment of goodwill		(77,298)		(4,761,137)	
Administrative expenses			(1,526,858)		(6,259,519)
Operating loss prior to impairment and amortisation of goodwill		(1,338,987)		(1,441,735)	
Amortisation and impairment of goodwill		(77,298)		(4,761,137)	
Operating loss			(1,416,285)		(6,202,872)
Share of operating (loss)/profit of:					
Joint venture			(5)		(1,117)
Associate			961		12,359
Amortisation of purchased goodwill in associate			-		(103,789)
Net interest			(10,928)		(40,377)
Loss on ordinary activities before taxation			(1,426,257)		(6,335,796)
Tax on loss on ordinary activities	2		-		-
Loss on ordinary activities after taxation and loss for the financial period			(1,426,257)		(6,335,796)
Basic loss per ordinary share	3		(7.1)p		(71.4)p

GALLEON HOLDINGS PLC

BALANCE SHEET AT 30 SEPTEMBER 2005

	30 September 2005 £	30 September 2005 £	30 September 2004 £	30 September 2004 £
Fixed assets				
Intangible assets				
Goodwill	753,228		596,670	
Other	<u>1,574</u>		<u>93,569</u>	
		754,802		690,239
Tangible assets		29,201		36,962
Investments				
Joint venture				
Share of gross assets	734,925		734,925	
Share of gross liabilities	<u>(736,091)</u>		<u>(736,086)</u>	
	(1,166)		(1,161)	
Associates	<u>(20,469)</u>		<u>(21,430)</u>	
Other investments	<u>28,800</u>		<u>28,800</u>	
		7,165		6,209
		791,168		733,410
Current assets				
Stocks and work in progress	173,020		158,205	
Debtors due within one year	376,576		140,756	
Debtors due after more than one year	100,000		303,285	
Cash at bank and in hand	<u>220,163</u>		<u>116,306</u>	
	869,759		718,552	
Creditors: amounts falling due within one year	<u>(1,025,804)</u>		<u>(1,297,913)</u>	
Net current liabilities		(156,045)		(579,361)
Total assets less current liabilities		635,123		154,049
Creditors: amounts falling due after more than one year		-		(2,625)
Provisions for liabilities and charges		(12,050)		(12,050)
Net assets		623,073		139,374
Capital and reserves				
Called up share capital		279,393		99,036
Shares to be issued		1,875		1,875
Share premium account		2,974,811		1,455,061
Capital redemption reserve		9,601,469		9,601,469
Other reserves		209,849		-
Profit and loss account		<u>(12,444,324)</u>		<u>(11,018,067)</u>
Shareholders' funds	4	623,073		139,374

GALLEON HOLDINGS PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2005

	Note	Year ended 30 September 2005 £	18 months ended 30 September 2004 £
Net cash outflow from operating activities	5	(1,407,758)	(599,473)
Returns on investments and servicing of finance			
Interest paid		(10,432)	(38,184)
Hire purchase interest		(496)	(2,193)
Net cash outflow from returns on investments and servicing of finance		(10,928)	(40,377)
Capital expenditure			
Purchase of tangible fixed assets		(7,051)	(16,070)
Proceeds from sale of fixed asset investments		-	3,051
Net cash outflow from capital expenditure		(7,051)	(13,019)
Acquisitions			
Purchase of subsidiary undertaking		-	(3,000)
Net cash outflow from acquisitions		-	(3,000)
Net cash outflow before financing		(1,425,737)	(655,869)
Financing			
Issue of shares		1,616,327	680,000
Expenses paid in connection with share issues		(66,189)	(8,620)
(Payment of)/receipts from borrowings		(2,625)	6,300
Capital element of finance leases		(835)	(27,432)
Net cash inflow from financing		1,546,678	650,248
Increase/(decrease) in cash	6	120,941	(5,621)

GALLEON HOLDINGS PLC

NOTES TO THE PRELIMINARY ANNOUNCEMENT

For the year ended 30 September 2005

1 BASIS OF PREPARATION

The preliminary announcement has been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the group are set out in the group's 2005 annual report and financial statements. The policies have remained unchanged from the previous annual report.

2 TAX ON LOSS ON ORDINARY ACTIVITIES

No tax charge arises on the loss for the period.

The tax assessed for the period differs from the standard rate of Corporation Tax in the UK as explained below:

	Year ended 30 September 2005	18 months ended 30 September 2004
	£	£
Loss on ordinary activities before tax	<u>(1,426,257)</u>	<u>(6,335,796)</u>
Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2004: 30%)	(427,877)	(1,900,739)
Effect of:		
Expenses not deductible for tax purposes	23,994	1,486,514
Capital allowances for year in excess of depreciation	969	1,424
Other timing differences	-	8
Unrecognised deferred tax assets	<u>402,914</u>	<u>412,793</u>
Current tax credit for year	<u>-</u>	<u>-</u>

Unrelieved tax losses of approximately £5,200,000 (2004: £3,900,000) remain available to offset against future taxable trading profits.

3 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary shareholders of £1,426,257 (period ended 30 September 2004: £6,335,796) divided by the weighted average number of shares in issue during the year of 20,122,206 (period ended 30 September 2004: 8,875,218). The effect of the share options is anti-dilutive.

4 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 30 September 2005	18 months ended 30 September 2004
	£	£
Loss for the financial period	(1,426,257)	(6,335,796)
Issue of shares	1,909,956	1,663,882
Shares to be issued	-	1,875
Net increase/(decrease) in shareholders' funds	<u>483,699</u>	<u>(4,670,039)</u>
Shareholders' funds at 1 October 2004	<u>139,374</u>	<u>4,809,413</u>
Shareholders' funds at 30 September 2005	<u>623,073</u>	<u>139,374</u>

GALLEON HOLDINGS PLC

NOTES TO THE PRELIMINARY ANNOUNCEMENT

For the year ended 30 September 2005

5 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 30 September 2005 £	18 months ended 30 September 2004 £
Operating loss	(1,416,285)	(6,202,872)
Loss on disposal of tangible fixed assets	-	243
Loss on disposal of fixed asset investments	-	408
Depreciation of tangible fixed assets	14,812	57,521
Amortisation and impairment of intangible fixed assets	91,995	185
Decrease in provision against investments	-	(6,400)
Release of provisions	-	(25,950)
Amortisation and impairment of goodwill	77,298	4,761,137
Increase in stocks and work in progress	(14,815)	(80,237)
(Increase)/decrease in debtors	(32,536)	603,318
(Decrease)/increase in creditors	(254,187)	214,674
Shares allotted to settle expenses	126,000	78,500
Net cash outflow from operating activities	<u>(1,407,758)</u>	<u>(599,473)</u>

6 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year ended 30 September 2005 £	18 months ended 30 September 2004 £
Increase/(decrease) in cash in the period	120,941	(5,621)
Payment of/(receipts from) new borrowings	2,625	(6,300)
Capital element of hire purchase and finance lease rentals	835	27,432
Change in net debt resulting from cash flows	<u>124,401</u>	<u>15,511</u>
Net debt at 1 October 2004	<u>(408,364)</u>	<u>(423,875)</u>
Net debt at 30 September 2005	<u>(283,963)</u>	<u>(408,364)</u>

7 ANALYSIS OF CHANGES IN NET DEBT

	At 1 October 2004 £	Cash flow £	At 30 September 2005 £
Cash at bank and in hand	116,306	103,857	220,163
Bank overdraft	(521,210)	17,084	(504,126)
	<u>(404,904)</u>	<u>120,941</u>	<u>(283,963)</u>
Bank loans	(2,625)	2,625	-
Finance leases	(835)	835	-
	<u>(408,364)</u>	<u>124,401</u>	<u>(283,963)</u>

8 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The consolidated balance sheet at 30 September 2005, and the consolidated profit and loss account, consolidated cash flow statement and associated notes for the year then ended have been extracted from the Group's 2005 statutory financial statements upon which the auditor's opinion is unqualified and does not include any statement under s237 of the Companies Act 1985.