

**GALLEON HOLDINGS PLC**  
**(“Galleon” or “the Company”)**  
**Interim results for the six months ended 31 March 2005**

**CHAIRMAN’S STATEMENT**

I am pleased to present the interim financial results for the Group for the six months ended 31 March 2005. In the six months under review the loss on ordinary activities after taxation was £197,000, a significant reduction on the equivalent period last year (loss £509,000).

Galleon’s strategic objective to create, acquire, develop and own a significant portfolio of Intellectual Property Rights (IPR) continues to attract interest within the industry.

I am delighted to be able to report that growth has come from all areas of the business. The Company remains focused on unlocking value in entertainment and product based IPR and during the last six months it has succeeded in this regard.

With the arrival of our new management team of Stephen Green and Len Dunne in January 2005 Galleon has the skills in house to manage a piece of IPR through the whole of its lifecycle. Our strengthened skill base has undertaken a complete review of our IPR portfolio during this period. The current catalogue of properties includes Oggies, Professor Winklebottom’s Universe, Malcolm, Astro Knights, Peppers Patrol and our latest property, Goalactika-442, created by Stephen Green and Len Dunne. As a result of this review conducted in consultation with J Christopher Entertainment, our Los Angeles animation studio, we have decided to prioritise and reposition some of the properties. We have taken back the rights for Astro Knights from Jaguar Media Entertainment as they were unable to progress with this project in a timeframe that was satisfactory to us. The rounded IPR experience that is now within Galleon has allowed us to assume full control of this project. We have also put into development a new sports fantasy kids TV show, Goalactika-442. This project has had a positive response from key broadcasters in the UK, US and Japan and we are now finalising its development with a view to going into production by the end of the year.

Croco, our premiums and promotions sourcing division has continued to make progress during this period. Our client list has grown significantly with a strong mix of new and repeat business. Orders of more than 60 million units have been achieved in the period and we are currently looking to secure an increase in business for the coming year. The uniqueness of Croco’s business is the fact that the products we develop create IPR in their own right and this is allowing us to build sustainable growth for the future. Croco’s client base now includes some of the largest Fast Moving Consumer Goods groups in the world. The relationship with these companies brings a major strategic benefit and allows Galleon at an early stage, to plan sizeable territorial premium promotions for our entertainment based IPR.

Both A4, our publishing company and Probe Media, our database marketing company have also seen significant improvement during the last six months. Our new sales and editorial teams have delivered increases in global advertising sales compared with the previous period from last year. We are attracting new business from territories outside of the UK and are achieving a much higher ratio of forward bookings. This allows for more efficient and profitable planning for future issues of our flagship publications Licensing Today Worldwide and Art Buyer. Probe Media has also grown by offering a wider range of solutions to existing customers in the music and entertainment industry. Customers include Heart 106.2, Classic fm, Atari, Konami and music acts such as Oasis, Doves, U2. Recently we have been targeting other industry sectors such as IT, retail and business services. We are confident we will see a growth in market share in these new sectors by the end of the financial year.

Recent acquisition and appointments have allowed Galleon to evolve substantially in the first half of this financial year. We now have a team in place that is able to maximise the value of our existing IPR and also identify and develop new IPR for future growth. This expertise coupled with the dialogue that we now have with the key partners in the entertainment community puts Galleon in a strong position to deliver quality kids entertainment with global appeal and strong revenue streams. Given that the growth of Croco, A4 and Probe Media is organic and sustainable I am confident that the turnaround of the Group will continue during the course of 2005.

I should like to thank shareholders for their continued support and I look forward to communicating further positive developments over the balance of 2005 and beyond.

James Driscoll, MBE  
**CHAIRMAN**  
28 June 2005

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PROFIT AND LOSS ACCOUNT

For the six months ended 31 March 2005

	Note	Six months ended 31 March 2005 Unaudited £'000	Six months ended 31 March 2004 Unaudited £'000	Eighteen months ended 30 September 2004 Audited £'000
<b>Turnover</b>		<b>553</b>	470	972
Cost of sales		<b>(302)</b>	(448)	(915)
<b>Gross profit</b>		<b>251</b>	22	57
Other administrative expenses		<b>(412)</b>	(239)	(1,499)
Impairment and amortisation of goodwill		<b>(32)</b>	(274)	(4,761)
Administrative expenses		<b>(444)</b>	(513)	(6,260)
<b>Operating loss</b>		<b>(193)</b>	(491)	(6,203)
Share of operating profit of associate		<b>2</b>	-	12
Amortisation of purchased goodwill in associate		-	-	(105)
Provision for unrealised profit in Joint Venture		-	(12)	-
Net interest		<b>(6)</b>	(6)	(40)
<b>Loss on ordinary activities before taxation</b>		<b>(197)</b>	(509)	(6,336)
Tax on loss on ordinary activities	2	-	-	-
<b>Loss on ordinary activities after taxation and loss for the financial period</b>		<b>(197)</b>	(509)	(6,336)
Basic loss per ordinary share	3	<b>(1.1)p</b>	(5.7)p	(71.4)p

There were no recognised gains or losses other than the loss for the period.

## Consolidated Balance Sheet as at 31 March 2005

	<b>31 March 2005 Unaudited £000's</b>	31 March 2004 Unaudited £000's	30 September 2004 Unaudited £000's
<b>Fixed assets</b>			
Intangible assets			
Goodwill	715	4,202	597
Other	93	2	93
	<u>808</u>	<u>4,204</u>	<u>690</u>
Tangible assets	36	44	37
Investments			
Joint venture			
Share of gross assets	734	734	734
Share of gross liabilities	(736)	(736)	(736)
	(2)	(2)	(2)
Associates	(19)	72	(21)
Other investments	29	22	29
	<u>8</u>	<u>92</u>	<u>6</u>
	<u>852</u>	<u>4,340</u>	<u>733</u>
<b>Current assets</b>			
Stocks and work in progress	215	89	158
Debtors due within one year	607	726	142
Debtors due after more than one year	303	303	303
Cash at bank and in hand	315	84	116
	<u>1,440</u>	<u>1,202</u>	<u>719</u>
<b>Creditors: amounts falling due within one year</b>	<b>(912)</b>	<b>(829)</b>	<b>(1,298)</b>
<b>Net current assets/(liabilities)</b>	<b>528</b>	<b>373</b>	<b>(579)</b>
<b>Total assets less current liabilities</b>	<b>1,380</b>	<b>4,713</b>	<b>154</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(2)</b>	<b>(5)</b>	<b>(3)</b>
<b>Provisions for liabilities and charges</b>	<b>(12)</b>	<b>(109)</b>	<b>(12)</b>
<b>Net assets</b>	<b>1,366</b>	<b>4,599</b>	<b>139</b>
<b>Capital and reserves</b>			
Called up share capital	198	9,068	99
Shares to be issued	2	-	2
Share premium account	2,780	1,332	1,455
Capital redemption reserve	9,601	-	9,601
Profit and loss account	(11,215)	(5,801)	(11,018)
<b>Shareholders' funds</b>	<b>1,366</b>	<b>4,599</b>	<b>139</b>

## Consolidated Cash Flow Statement For the six months ended 31 March 2005

	Note	<b>Six months ended 31 March 2005 Unaudited £'000</b>	Six months ended 31 March 2004 Unaudited £'000	Eighteen months ended 30 September 2004 Audited £'000
<b>Net cash outflow from operating activities</b>	5	<b>(880)</b>	(457)	(599)
<b>Returns on investments and servicing of finance</b>				
Interest paid		(6)	(5)	(38)
Hire purchase interest		-	(1)	(2)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(6)</u>	<u>(6)</u>	<u>(40)</u>
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(4)	(12)	(17)
Proceeds from sale of fixed asset investments		-	-	3
<b>Net cash outflow from capital expenditure</b>		<u>(4)</u>	<u>(12)</u>	<u>(14)</u>
<b>Acquisitions</b>				
Purchase of subsidiary undertaking		-	-	(3)
<b>Net cash flow from acquisitions</b>		<u>-</u>	<u>-</u>	<u>(3)</u>
<b>Net cash outflow before financing</b>		<b>(890)</b>	(475)	(656)
<b>Financing</b>				
Issue of shares		1,214	580	680
Expenses paid in connection with share issues		(66)	(4)	(9)
Receipts from borrowings		-	-	6
Capital element of finance leases		-	(8)	(27)
<b>Net cash inflow from financing</b>		<u>1,148</u>	<u>568</u>	<u>650</u>
<b>Increase/(decrease) in cash</b>		<u><b>258</b></u>	<u>93</u>	<u>(6)</u>

## 1. RESULTS

The results for the six months ended 31 March 2005 are neither audited nor reviewed and do not constitute statutory accounts within the meaning of the Companies (Northern Ireland) Order 1986. They have been prepared on the basis of accounting policies consistent with those used in the annual accounts for the period ended 30 September 2004. The statutory accounts for the period ended 30 September 2004 have been given an unqualified audit report and have been filed with the Registrar of Companies. The interim accounts for the six months to 31 March 2004 were unaudited.

## 2. TAXATION

In view of the Company's tax losses carried forward, there is no tax charge included in the periods under review.

## 3. LOSS PER SHARE

Loss per share has been calculated in accordance with FRS14 based on 17,848,044 ordinary shares of 1 pence each being the weighted average of those in issue during the six months ended 31 March 2005. All figures have been restated to take into account of the share reorganisation.

## 4. DIVIDENDS

The Company will not be declaring an interim dividend.

## Notes to the cash flow statement

### Reconciliation of operating loss to net cash outflow from operating activities:-

	<b>Six months ended 31 March 2004 Unaudited £'000</b>	Six months ended 31 March 2004 Unaudited £'000	Eighteen months ended 30 September 2004 Audited £'000
Operating loss	<b>(193)</b>	(491)	(6,203)
Depreciation of tangible fixed assets	<b>5</b>	26	58
Decrease in provision against investments	-	(1)	(6)
Reversal of provisions	-	-	(26)
Amortisation of goodwill	<b>32</b>	274	4,761
Increase in work in progress	<b>(57)</b>	(70)	(80)
(Increase)/decrease in debtors	<b>(466)</b>	(161)	603
(Decrease)/increase in creditors	<b>(327)</b>	(34)	215
Shares allotted to settle expenses and debt	<b>126</b>	-	79
Net cash outflow from operating activities	<b>(880)</b>	(457)	(599)