

## Preliminary Results for the period ended 30 September 2004

### GALLEON HOLDINGS PLC

#### Highlights - Post Year End

- Company raised £1.2 million and converted £126,000 of existing loans into equity
- Acquisition of Green and Dunne Limited
- Appointment of Stephen Green and Len Dunne as Group CEO and Managing Director respectively (both previously directors of Brand Operations at Chorion Plc)

#### Chairman's Statement

##### Introduction

I am pleased to present Galleon's financial results for the period ended 30 September 2004. The operating loss in this eighteen-month period was £1,442,000 prior to the impairment and amortisation of goodwill, compared with £862,000 for the year ended 31 March 2003

Since the last set of financial statements it has been an extremely busy period, culminating in the acquisitions of J Christopher Entertainment LLC and Croco Worldwide Sourcing Limited which have been instrumental in transforming the business during the past six months.

In addition the Company undertook a capital re-organisation and then, subsequent to the period end, a placing of ordinary shares. The Company raised £1,214,000 (before expenses) and converted £126,000 of existing loans in the Company that has considerably strengthened the balance sheet from the one contained in these accounts and provides us with a platform to implement our strategic aims and objectives from a solid foundation.

##### Acquisition and Board Appointments

In line with our strategic policy for acquisitions I am pleased to announce the acquisition of the entire share capital of Green and Dunne Limited, a company with two IPR projects, the development of these properties has already started in Los Angeles. Our team at J Christopher Entertainment will shortly deliver first designs and story springboards.

The acquisition provides us with the opportunity of working with two industry heavyweights and I am delighted to also be able to announce that Stephen Green and Len Dunne, have today accepted their appointment to your Board of Directors.

Stephen Green is an expert in both license acquisition and exploitation with an excellent track record in the UK and internationally with global brands.

At Chorion plc, as director of brand operations he was a senior member of the management team and responsible for the commercial planning and exploitation of all their brands.

He previously worked as licensing director for Hasbro Consumer Products for five years, with strategic and commercial responsibility for acquiring international licenses and exploitation of Hasbro brands. This involved working with global brands in Pre-School, Boys, Girls and Family programming including Bob the Builder, Star Wars, Monopoly, My Little Pony, Action Man and a number of sports brands such as Manchester United and Formula 1.

Len Dunne has expertise in product and brand development with 15 years experience in marketing both in the UK and the USA.

At Chorion plc, as director of brand development he was also a senior member of the management team with responsibility for strategy planning, research, new acquisition identification and evaluation, and content development and funding.

He previously worked as director of marketing and global brands at Entertainment Rights plc. Prior to that he spent six years at Hasbro where he held several roles both in Europe and the USA including global director of marketing - Boys Action. He had global responsibility for Transformers, Batman toys and the US launch of Pokémon toys.

Collectively Stephen and Len have direct experience of building successful entertainment brands in key categories and channels globally. These include TV, Theatrical Releases, Home Entertainment, Publishing, Multimedia, Toys, Games, Live Events, Sponsorship, Partworks, Merchandising, Third Party Promotions, Direct Marketing, On-Line and Retail.

Stephen Green will become Chief Executive Officer and Len Dunne Managing Director of Galleon Holdings plc.

Their appointments further demonstrate that our strategic re-positioning of Galleon during 2004 has great appeal to the industry.

Simon Driscoll, who has been Chief Executive Officer for the past five years, has resigned to take up the post of Chief Executive Officer at another listed company. I would like to thank Simon for the contribution he has made to Galleon over this period and wish him every success in the future.

## **FINANCIAL REVIEW**

As stated above the operating loss for the 18 month period to 30 September 2004 was £1,442,000 compared with the comparative 12 month period to 31 March 2003 of £862,000 but I would like to bring to your attention the fact that the Board in drawing up these accounts decided to take a prudent view as to the carrying value of a number of its assets, in particular we have decided to fully provide against a debtor in our joint venture company, Astro Knights Limited of £510,000 which is as a result of a delay in the production of it's animation.

Additionally, the Board were also of the opinion that it was appropriate for the remaining goodwill relating to the acquisition of The Galleon Group plc in December 2001 to be fully written off and therefore a charge relating to goodwill and impairment of goodwill of £4,761,000 (2003: £7,823,000) arose in the period under review and it was a significant contributing factor for the loss before taxation of £6,336,000 (2003: £8,833,000).

As mentioned above during the period to 30 September 2004 the Board had already undertaken a strategic review of its operations and instigated steps to not only reduce its operating costs but also to position the Company to take advantage of our new opportunities.

## **OUTLOOK**

Since my trading update in November we have continued to make progress on all fronts. The addition of Stephen and Len to our management team should enable us to conclude negotiations on a number of contracts during the first quarter of 2005.

The first quarter of the calendar year is a time when our industry is particularly busy and in 2005 we will be attending exhibitions, conferences and sales events to progress negotiations that began at MIPCOM in Cannes during October 2004. Our own properties of Oggies, Professor Winklebottom's Universe and Malcolm continue to attract interest and we will be looking to conclude a number of contracts by MIPTV in April this year.

## **SUMMARY**

Galleon is now a one-stop shop for any IPR, be it Entertainment or Product driven. We now have the ability to identify an opportunity from consumer insight, develop the intellectual property to unlock this, create a global business plan, produce the content at a very competitive price and finally manage the execution of the plan.

I would like to thank you for your support during 2004, which was a difficult year. I do feel confident that we will see an improvement in 2005 and can assure you that our entire management team is looking forward to the exciting times ahead that will enable us to deliver a successful business that not only we can be proud of but also provides shareholder value.

**JAMES C. DRISCOLL, MBE**

Chairman  
17 January 2005

**CONSOLIDATED SUMMARISED PROFIT AND LOSS ACCOUNT**  
**For period ended 30 September 2004**

	Note	18 months ended 30 September 2004 £	18 months ended 30 September 2004 £	Year ended 31 March 2003 £	Year ended 31 March 2003 £
<b>Turnover</b>			<b>971,564</b>		1,207,194
Cost of sales			<u>(914,917)</u>		<u>(883,237)</u>
<b>Gross profit</b>			<b>56,647</b>		323,957
Other administrative expenses		(1,498,382)		(1,185,755)	
Impairment and amortisation of goodwill		<u>(4,761,137)</u>		<u>(7,822,834)</u>	
Administrative expenses			<u>(6,259,519)</u>		<u>(9,008,589)</u>
Operating loss prior to impairment and amortisation of goodwill		(1,441,735)		(861,798)	
Impairment and amortisation of goodwill		<u>(4,761,137)</u>		<u>(7,822,834)</u>	
<b>Operating loss</b>			<b>(6,202,872)</b>		(8,684,632)
Share of operating (loss)/profit of:					
Joint venture			(1,117)		(45)
Associate			12,359		(64,173)
Amortisation of purchased goodwill in associate			(103,789)		(69,615)
Net interest			<u>(40,377)</u>		<u>(14,507)</u>
<b>Loss on ordinary activities before taxation</b>			<b>(6,335,796)</b>		(8,832,972)
Tax on loss on ordinary activities	2		<u>-</u>		<u>-</u>
<b>Loss on ordinary activities after taxation and loss for the financial period</b>			<b>(6,335,796)</b>		<b>(8,832,972)</b>
Basic loss per ordinary share	4		<u>(71.4)p</u>		<u>(108.4)p</u>

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

All of the activities of the group are classed as continuing. Neither of the acquisitions during the period contributed sufficiently to the group's trading results to be disclosed separately.

CONSOLIDATED SUMMARISED BALANCE SHEET AT 30 SEPTEMBER 2004

	Note	30 September 2004 £	30 September 2004 £	31 March 2003 £	31 March 2003 £
<b>Fixed assets</b>					
Intangible assets					
Goodwill		596,670		4,750,000	
Other		93,569		1,879	
			690,239		4,751,879
Tangible assets					
Investments					
Joint venture					
Share of gross assets		734,925		736,041	
Share of gross liabilities		(736,086)		(736,085)	
		(1,161)		(44)	
Associates		(21,430)		70,000	
Other investments		28,800		25,859	
			6,209		95,815
			733,410		4,918,302
<b>Current assets</b>					
Stocks and work in progress		158,205		17,968	
Debtors due within one year		140,756		778,858	
Debtors due after more than one year		303,285		-	
Cash at bank and in hand		116,306		4,255	
		718,552		801,081	
<b>Creditors: amounts falling due within one year</b>		<b>(1,297,913)</b>		<b>(807,221)</b>	
			(579,361)		(6,140)
<b>Net current liabilities</b>			<b>(579,361)</b>		<b>(6,140)</b>
<b>Total assets less current liabilities</b>			<b>154,049</b>		<b>4,912,162</b>
<b>Creditors: amounts falling due after more than one year</b>			<b>(2,625)</b>		<b>(5,236)</b>
<b>Provisions for liabilities and charges</b>			<b>(12,050)</b>		<b>(97,513)</b>
<b>Net assets</b>			<b>139,374</b>		<b>4,809,413</b>
<b>Capital and reserves</b>					
Called up share capital			99,036		8,149,953
Shares to be issued			1,875		-
Share premium account			1,455,061		1,341,731
Capital redemption reserve			9,601,469		-
Other reserves			-		6,338,110
Profit and loss account			(11,018,067)		(11,020,381)
<b>Shareholders' funds</b>			<b>139,374</b>		<b>4,809,413</b>

**CONSOLIDATED SUMMARISED CASH FLOW STATEMENT**  
**For the period ended 30 September 2004**

	Note	18 months ended 30 September 2004 £	Year ended 31 March 2004 £
<b>Net cash outflow from operating activities</b>	5	<u>(599,473)</u>	<u>(694,629)</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		-	3,887
Interest paid		(38,184)	(14,329)
Hire purchase interest		(2,193)	(4,065)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(40,377)</u>	<u>(14,507)</u>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(16,070)	(16,068)
Purchase of intangible fixed assets		-	(887)
Payments to acquire fixed asset investments		-	(30,000)
Proceeds from sale of fixed asset investments		3,051	2,165
<b>Net cash outflow from capital expenditure</b>		<u>(13,019)</u>	<u>(44,790)</u>
<b>Acquisitions</b>			
Purchase of subsidiary undertaking		(3,000)	-
<b>Net cash outflow from acquisitions</b>		<u>(3,000)</u>	<u>-</u>
<b>Net cash outflow before financing</b>		<u>(655,869)</u>	<u>(753,926)</u>
<b>Financing</b>			
Issue of shares		680,000	-
Expenses paid in connection with share issues		(8,620)	-
Receipts from borrowings		6,300	-
Capital element of finance leases		(27,432)	(39,712)
<b>Net cash inflow/(outflow) from financing</b>		<u>650,248</u>	<u>(39,712)</u>
<b>Decrease in cash</b>	6	<u>(5,621)</u>	<u>(793,638)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the period ended 30 September 2004**

**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 2004 annual report and financial statements.

**2. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

No tax charge arises on the loss for the period.

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

	<b>18 months ended 30 September 2004</b>	Year ended 31 March 2003
	£	£
Loss on ordinary activities before tax	<u><b>(6,335,796)</b></u>	<u>(8,832,972)</u>
Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2003: 30%)	<b>(1,900,739)</b>	(2,649,892)
Effect of:		
Expenses not deductible for tax purposes	<b>1,486,514</b>	2,357,382
Capital allowances for year in excess of depreciation	<b>1,424</b>	(280)
Other timing differences	<b>8</b>	-
Unrecognised deferred tax assets	<u><b>412,793</b></u>	<u>292,790</u>
Current tax credit for year	<u>-</u>	<u>-</u>

Unrelieved tax losses of approximately £3,900,000 (2003: £2,500,000) remain available to offset against future taxable trading profits.

**3. DIVIDENDS**

The directors do not recommend the payment of a dividend for the year ended 30 September 2004 (year ended 31 March 2003 : Nil)

**4. LOSS PER SHARE**

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary shareholders of £6,335,796 (year ended 31 March 2003: £8,832,972) divided by the weighted average number of shares in issue during the year of 8,875,218 (year ended 31 March 2003: 8,149,995). All figures have been restated to take into account of the share reorganisation. The effect of the share options is anti-dilutive.

## 5. NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£	£
Operating loss	<b>(6,202,872)</b>	(8,684,632)
Loss on disposal of tangible fixed assets	<b>243</b>	335
Loss on disposal of fixed asset investments	<b>408</b>	1,816
Depreciation of tangible fixed assets	<b>57,521</b>	44,428
Amortisation of other intangible fixed assets	<b>185</b>	4,760
(Decrease)/ increase on provision against investments	<b>(6,400)</b>	69,784
Release of provisions	<b>(25,950)</b>	(112,000)
Amortisation and impairment of goodwill	<b>4,761,137</b>	7,822,834
Increase in stocks and work in progress	<b>(80,237)</b>	(862)
Decrease in debtors	<b>603,318</b>	133,955
Increase in creditors	<b>214,674</b>	24,953
Shares allotted to settle expenses	<b>78,500</b>	-
Net cash outflow from operating activities	<b><u>(599,473)</u></b>	<b><u>(694,629)</u></b>

## 6. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004	2003
	£	£
Decrease in cash in the period	<b>(5,621)</b>	(793,638)
Receipts from new borrowings	<b>(6,300)</b>	-
Capital element of hire purchase and finance lease rentals	<b>27,432</b>	39,712
Change in net debt resulting from cash flows	<b>15,511</b>	(753,926)
Net (debt)/funds at 1 April 2003	<b>(423,875)</b>	330,051
Net debt at 30 September 2004	<b><u>(408,364)</u></b>	<b><u>(423,875)</u></b>

## 7. 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 summarised consolidated balance sheet at 30 September 2004, and the summarised consolidated profit and loss account, summarised consolidated cash flow statement and associated notes for the period then ended have been extracted from the Group's 2004 statutory financial statements upon which the auditor's opinion is unqualified and does not include any statement under s237 of the Companies Act 1985.