REGISTERED NO. 04223253

GLU MOBILE LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2009

GLU MOBILE LIMITED

Registered No 04223253

Company information

Directors

Eric Ludwig
Olivier Bernard
Scott Leichtner

Secretary

Scott Leichtner

Company number

04223253

Registered Office

AH Montpelier Chartered Accountants,
58-60 Berners Street,
London
W1T 3JS

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
First Point,
Buckingham Gate,
Gatwick,
West Sussex,
RH6 0PP

GLU MOBILE LIMITED

Registered No 04223253

Annual Report
For the year ended 31 December 2009

Directors' Report
For the year ended 31 December 2009

The Directors present their report and the audited financial statements of Glu Mobile Limited (the "Company") and its subsidiary undertakings (collectively, with the Company, the "Group") for the year ended 31 December 2009

Principal activities and business review

The principal activity of the Group is the supply of mobile phone entertainment services

Due to the downturn of the economy that began in the latter half of 2008 and continued throughout 2009, the Group's sales growth continued to decline in 2009 compared to 2008 This has led to the thorough review of the Group's licensor contracts and a decision was made to make a further provision for upfront payments that will not be recouped as royalties from the projected future sales revenue This resulted in a charge being made in the accounts of £54,261 (2008, £1,383,230)

Significant indicators for the Group's performance are as follows -

	2009	2008	2007
Revenue (decrease)/growth	(4 6%)	19 6%	46 2%
Gross margin	87 6%	74 2%	70 0%
Average number of employees	67	104	104
Revenue per employee	£ 215,824	£ 145,711	£ 121,832

Turnover in 2009 showed a 4 6% decrease, as a result, management will continue to focus on liquidity and look to reduce the Group's cost base in future years

No significant changes to the Group's business are planned in the foreseeable future

The Directors have the support from the Company's parent company, Glu Mobile Inc ("Parent"), which is committed to the Group as a going concern for a period of at least twelve months from the date of the approval of the financial statements

Principal business risks

The main business risks and uncertainties of the Group are as follows,

- the Company currently relies on large wireless carriers, in particular, Vodafone, Orange, T-Mobile and O_2Telefonica, to market and distribute its products The loss or change in any of these carrier relationships could materially harm the Group's business,
- many of the Company's games are based on or incorporate intellectual property that is licensed from third parties, it may not be possible to renew these licenses or obtain additional licenses Also, consumer demand for free to play or "freemium game" has increased significantly, many of our licensors will not allow us to distribute their titles for free, thus we are reliant on the development of our own intellectual property to take advantage of this market trend,
- the Company currently relies on revenue generated primarily form the sale of java and brew games on older traditional handset devices or "feature phones" The Company believe that the migration of users from feature phones to smartphone devices, which offer enhanced functionality, will continue to accelerate as consumers increasingly upgrade their mobile phones, this trend will have a negative impact on future revenues,
- The Company is subject to fluctuations in the global economy, including those that impact discretionary consumer spending, which has deteriorated significantly in many countries and regions, and may remain depressed for the foreseeable future

The Company tries to mitigate these risks by actively partnering with the large carriers and licensors of intellectual property to try to ensure the relationship, and thus revenues, can grow together

GLU MOBILE LIMITED

Registered No 04223253

Directors' Report (continued)

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and foreign exchange risk The Company does not use derivative financial instruments to manage its financial risk and as such no hedge accounting is applied

The Company is actively involved in the enlarged Group's reporting process which includes formal reviews of long term plans, annual budgets and ongoing short term forecasts and actual past performance

Credit Risk
The Company has implemented policies that require appropriate credit checks on potential customers before contracts are signed and sales made The Company also monitors ongoing credit balances to ensure exposure is limited

Liquidity Risk
The ability of the Company to meet its liabilities as they fall due is dependent on the support of the Parent, which has confirmed that it will continue to support the Group

Foreign Exchange Risk
The Company operates outside the United Kingdom and, as such, is exposed to exchange rate movements To protect against high levels of exchange rate risk, the Company maintains the majority of its short-term monetary assets in sterling

Results and dividends

The Group's turnover for the year decreased year on year by 4 6% (2008 increase of 19 6%) This was due to the global economic slowdown and the continued migration of users from traditional feature phones to smartphones where the Group has lower market share

The Group has made a profit before taxation of £2,683,218 (2008 Loss of £1,296,281) The authorised share capital for the Company has remained unchanged during the year

The Directors do not recommend the payment of a dividend (2008 £nil)

Qualifying third party indemnity provisions

The directors of the Company are covered by provisions within the parent company's global Directors and Officers insurance policy

Future developments

The Company's plan is to cut the amount of expenditure on research and development, future investment in research and development will be incurred by the Parent and its other overseas entities

Directors

The Directors of the Company during the year and up to the date of approval of these financial statements, unless otherwise stated, were as follows

Andrew Jeremiah	(resigned 31 May 2011)
Olivier Bernard	(appointed 22 June 2011)
Eric Ludwig	(appointed 15 October 2010)
Scott Leichtner	(appointed 15 October 2010)
Kevin Chou	(appointed 11 September 2009, resigned 15 October 2010)
Frank Keeling	(appointed 31 December 2008, resigned 11 September 2009)

Directors' Report (continued)

Charitable and political donations

There were no charitable or political donations made during the year (2008 £nil)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the Group and Parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

In preparing these financial statements, the Company's Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Company's Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors and disclosure of information to auditors

So far as the Company's Directors are aware, there is no relevant audit information of which the Company's auditors are unaware The Company's Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

The Company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be made at the forthcoming Annual General Meeting

By Order of the Board

S Leichtner

Company Director
Glu Mobile Limited
Date

GLU MOBILE LIMITED

Registered No 04223253

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLU MOBILE LTD

We have audited the group and parent company financial statements (the "financial statements") of Glu Mobile Limited for the year ended 31 December 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Michael Jones (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
Date 21 December 2011

GLU MOBILE LIMITED

Registered No 04223253

Consolidated Profit and Loss Account
For the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	2	**14,460,180**	15,153,945
Cost of sales		**(1,789,038)**	(3,905,284)
Gross profit		**12,671,142**	11,248,661
Sales and distribution costs		**(2,499,191)**	(3,035,978)
Administrative expenses		**(7,491,473)**	(9,540,890)
Operating profit/(loss)		**2,680,478**	(1,328,207)
Interest receivable	6	**3,364**	37,430
Interest payable	6	**(624)**	(5,504)
Profit/(loss) on ordinary activities before taxation	3	**2,683,218**	(1,296,281)
Tax on profit/(loss) on ordinary activities	7	**(500,301)**	(210,613)
Profit/(loss) for the financial year	15	**2,182,917**	(1,506,894)

All amounts relating to the year ended 31 December 2009 represent continuing activities

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalent

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 December 2009

	2009 £	2008 £
Profit/(loss) for the year	**2,182,917**	(1,506,894)
Movement in foreign exchange	**(10,753)**	24,803
Total recognised gains/(losses) for the year	**2,172,164**	(1,482,091)

GLU MOBILE LIMITED

Registered No 04223253

Consolidated Balance Sheet
As at 31 December 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	8	**82,401**	124,001
Tangible assets	9	**209,927**	404,329
		292,328	528,330
Current assets			
Debtors (including £377,850 due after more than 1 year (2008, £377,838))	11	**6,059,797**	8,230,388
Cash at bank and in hand		**1,183,644**	2,424,474
		7,243,441	10,654,862
Creditors – amounts falling due within one year	12	**(9,681,242)**	(15,216,956)
Net current liabilities		**(2,437,801)**	(4,562,094)
Total assets less current liabilities		**(2,145,473)**	(4,033,764)
Provisions for liabilities	13	**(82,479)**	(448,579)
Net liabilities		**(2,227,952)**	(4,482,343)
Capital and reserves			
Called up share capital	14	**501,027**	501,027
Share premium account	15	**505,168**	505,168
Other reserves	15	**1,264,776**	1,182,549
Profit and loss account	15	**(4,498,923)**	(6,671,087)
Total shareholders' deficit	16	**(2,227,952)**	(4,482,343)

The financial statements on pages 8 – 25 were approved by the board of directors on ____________ and were signed on its behalf by

S Leichtner
Director

GLU MOBILE LIMITED

Registered No 04223253

Company Balance Sheet
As at 31 December 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	8	**80,000**	120,000
Tangible assets	9	**206,604**	398,239
Investment	10	**30,601**	30,601
		317,205	548,840
Current assets			
Debtors (including £377,850 due after more than 1 year (2008, £377,838))	11	**6,388,365**	8,538,084
Cash at bank and in hand		**1,094,924**	2,330,886
		7,483,289	10,868,970
Creditors - Amounts falling due within one year	12	**(10,365,300)**	(15,814,459)
Net current liabilities		**(2,882,011)**	(4,945,489)
Total assets less current liabilities		**(2,564,806)**	(4,396,649)
Provisions for liabilities	13	**(82,479)**	(448,579)
Net liabilities		**(2,647,285)**	(4,845,228)
Capital and reserves			
Called up share capital	14	**501,027**	501,027
Share premium account	15	**505,168**	505,168
Other reserves	15	**935,373**	853,146
Profit and loss account	15	**(4,588,853)**	(6,704,569)
Total shareholders' deficit	16	**(2,647,285)**	(4,845,228)

The financial statements on pages 8 – 25 were approved by the board of directors on ____________ and were signed on its behalf by

S Leichtner
Director

Notes to the financial statements
For the year ended 31 December 2009

1. Accounting policies

A summary of the main accounting policies of the Group, which have been consistently applied unless otherwise stated, is set out below

(i) Accounting convention

The consolidated financial statements have been prepared, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards

(ii) Basis of preparation

These financial statements have been prepared on the going concern basis The Group made a profit of £2,182,917 for the year ended 31 December 2009 (2008 loss of £1,506,894) and has a deficit on shareholders' funds of £2,227,952 as at 31 December 2009 (2008 £4,482,343) The going concern basis of preparation is supported by forecasts and projections covering a minimum period of 12 months from the date of approval of these financial statements The forecasts and projections include budgets and cash flow forecasts which show that the Group is expected to generate sufficient funds from its trading activities to enable it to meet its liabilities as and when they fall due, for the foreseeable future and for a minimum period of 12 months from the date of approval of these financial statements provided the Company's parent, Glu Mobile Inc continues to provide ongoing financial support The Directors have received confirmation that this support will be provided for the foreseeable future and in excess of 12 months from the date of approval of these financial statements The Directors have considered and are also satisfied in the ability of the Group to provide this support

Based on the support the Directors consider it appropriate to prepare the accounts on a going concern basis

(iii) Basis of consolidation and goodwill

The Group financial statements consolidate the financial statements of Glu Mobile Limited and its subsidiary undertakings at 31 December 2009 The acquisition method of accounting has been adopted Under this method, the results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal The date of acquisition and disposal is determined as the date of which control passes to or from the Company Intercompany trading and balances are eliminated on consolidation Goodwill arising on acquisition, representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired has been capitalised and is being amortised over a period of 3 to 5 years This is the period over which the directors estimate that the value of the underlying business is expected to exceed the value of the underlying assets The carrying values of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

(iv) Cash flow statement

As the Company is a wholly owned subsidiary of a company which produces consolidated financial statements which are publicly available, no cash flow statement has been presented, in accordance with FRS 1 (revised 1996)

Notes to the financial statements

1. Accounting policies (continued)

(v) Turnover

Turnover is the aggregate amount of revenue derived from the provision of mobile content supplied to customers in the ordinary course of business Revenue from mobile telephony services is recognised upon delivery of media content Allowance is made, based on historical trends, for undelivered content Where the Company provides services as principal, turnover represents the gross revenue in respect of those services To the extent that the Company provides services as a service provider to third parties, in respect of these services, turnover represents the Company's share of the revenue

(vi) Operating leases

Operating lease rentals are charged to the profit and loss account as incurred

(vii) Taxation

The charge or credit for taxation is based upon the profit or loss for the year as adjusted for disallowable items and timing differences Deferred tax is provided in full on an undiscounted basis, on all 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 which have been enacted or substantially enacted at the balance sheet date Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements

A net deferred tax asset is regarded as recoverable and is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying timing difference can be deducted

(viii) Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value on a straight-line basis over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

	%
Short leasehold property improvements	20
Office and computer equipment	33

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

(ix) Debtors

Debtors are shown at their book value, less any provision for bad and doubtful debts

Notes to the financial statements

1. Accounting policies (continued)

(x) Share options

The Company has adopted the provisions of FRS 20 "Share Based Payments" and has recognised the cost of certain share awards and schemes in accordance with this standard

As detailed in note 17 to these financial statements, certain employees of the Company's are awarded share options in the Company's ultimate parent undertaking, Glu Mobile Inc , a company incorporated in the USA Where it is necessary to estimate the fair value of an option or share awarded the Black-Scholes method of valuation has been used based on the assumptions outlined in notes to these accounts The fair value of the award at the date of grant is charged to the profit and loss account over the vesting period

(xi) Foreign exchange

Transactions in foreign currencies are translated into sterling using the average exchange rate for the month in which the transaction occurred Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account

The results and financial position of foreign undertakings are translated as follows
- assets and liabilities at each balance sheet are translated at the closing rate at the date of the balance sheet, and
- income and expenses for each profit and loss are translated at the monthly exchange rates

All resulting exchange differences are recognised in reserves Exchange difference arising from the translation of the accumulated net investment in foreign enterprises and related financing through foreign currency borrowings are recorded as movements on reserves

(xii) Related party transactions

The Company is also exempt, under the terms of FRS 8, from disclosing related party transactions with entities that are part of the Glu Mobile Inc group

(xiii) Investments

Investments in subsidiaries are valued at cost less provisions for permanent impairment

(xiv) Research and development

Expenditure in respect of research and development is expensed to the profit and loss account as incurred

(xv) Pensions

The Company operates a defined contribution scheme Contributions are charged to the profit and loss account as they become payable, in accordance with rules of the scheme

2. Turnover

Turnover and profit/(loss) before taxation is derived from the Group's principal activity An analysis of turnover by destination is noted below All turnover originates in the UK

	2009	2008
	£	£
Europe	**12,919,971**	13,868,090
Rest of the world	**1,540,209**	1,285,855
	14,460,180	15,153,945

3. Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)

	2009	2008
	£	£
Services performed by the Company's auditor		
- fee payable for annual statutory audit	**40,000**	52,500
- fee payable for tax compliance	**20,750**	40,000
- fee payable for other services	**-**	39,005
Operating leases - land and buildings	**387,936**	378,089
Depreciation of tangible fixed assets - owned assets	**228,048**	243,050
Research and development	**1,846,827**	757,035
Amortisation of intangibles	**41,600**	41,600
Loss on disposal of assets	**-**	4,508
Exceptional cost of sales – impairment of onerous licensor contracts	**54,261**	1,383,230

4. Directors' emoluments

	2009	2008
	£	£
Aggregate emoluments	**192,727**	236,736
Compensation for loss of office	**34,616**	48,181
	227,343	284,917

	2009	2008
Highest paid director	£	£
Aggregate emoluments	**114,307**	146,937
Compensation for loss of office	**34,616**	48,181
	148,923	195,118

During the year three directors were awarded options under the parent Company's share option scheme (2008 2) None of the directors exercised options during the year (2008 nil)

5. Employee information

Group

The average number of employees during the year, including directors, is analysed below

	2009	2008
Product development	37	64
Sales and distribution	14	24
Administration	16	16
	67	104

Employment costs of all employees included above comprise

	2009	2008
	£	£
Wages and salaries	3,296,487	4,763,939
Social security costs	466,610	609,063
Cost of employee share scheme (Note 17)	82,227	396,846
	3,845,324	5,769,848

Company

The average number of employees during the year, including directors, is analysed below

	2009	2008
Product development	37	63
Sales and distribution	5	16
Administration	15	15
	57	94

Employment costs of all employees included above comprise

	2009	2008
	£	£
Wages and salaries	2,528,020	4,254,426
Social security costs	272,431	446,471
Cost of employee share scheme (Note 17)	82,227	396,846
	2,863,622	5,097,743

6. Interest

	2009	2008
	£	£
Bank interest receivable	3,364	37,430
Interest payable	(624)	(5,504)
	2,740	31,926

7 Tax on profit/(loss) on ordinary activities

The tax charge is based on the loss on ordinary activities for the year and comprises

	2009 £	2008 £
Current tax		
UK corporation tax		
R&D tax credits in respect of prior year	-	(150,159)
Total UK corporation tax	-	(150,159)
Foreign tax		
Overseas corporation tax	**60,978**	20,531
Foreign taxes – withholding tax	**439,323**	340,241
Total foreign corporation tax	**500,301**	360,772
Total current tax	**500,301**	210,613

The current tax charge for the year is lower (2008 higher) than the standard rate of corporation tax in the UK

Factors affecting the tax charge for the current year

	2009 £	2008 £
Profit/(loss) on ordinary activities before tax	**2,683,218**	(1,296,281)
UK corporation tax at 28 0% (2008 28 5%)	**751,301**	(369,440)
Effects of		
Expenses not allowable	**15,173**	27,186
Depreciation in excess of capital allowances	**62,519**	67,286
Other timing differences	**53,505**	101,342
Losses (utilised)/not utilised and carried forward	**(846,161)**	291,125
Foreign withholding tax written off	**439,323**	243,273
Overseas tax – higher tax rate	**24,641**	-
Adjustment in respect of prior years	-	(150,159)
	500,301	210,613

The Company has an unprovided deferred tax asset of £37,708 (2008 £666,052) in respect of losses The Company also has an unprovided deferred tax asset of £469,420 (2008 £325,811) in respect of accelerated capital allowances and other timing differences

8. Intangible assets

	Group Purchased goodwill £	Company Purchased goodwill £
Cost		
At 1 January 2009	208,001	200,000
At 31 December 2009	**208,001**	**200,000**
Accumulated amortisation		
At 1 January 2009	(84,000)	(80,000)
Charge for the year	(41,600)	(40,000)
At 31 December 2009	**(125,600)**	**(120,000)**
Net book value		
At 31 December 2009	**82,401**	**80,000**
At 31 December 2008	124,001	120,000

9. Tangible fixed assets

Group

	Short leasehold property improvements £	Office & computer equipment £	Total £
Cost			
At 1 January 2009	461,981	645,241	1,107,222
Additions	-	33,646	33,646
At 31 December 2009	**461,981**	**678,887**	**1,140,868**
Accumulated depreciation			
At 1 January 2009	193,101	509,792	702,893
Charge for the year	129,098	98,950	228,048
At 31 December 2009	**322,199**	**608,742**	**930,941**
Net book value			
At 31 December 2009	**139,782**	**70,145**	**209,927**
At 31 December 2008	268,880	135,449	404,329

9. Tangible fixed assets (continued)

Company

	Short leasehold property improvements £	Office & computer equipment £	Total £
Cost			
At 1 January 2009	461,981	625,391	1,087,372
Additions	-	33,400	33,400
At 31 December 2009	**461,981**	**658,791**	**1,120,772**
Accumulated depreciation			
At 1 January 2009	193,101	496,032	689,133
Charge for the year	129,098	95,937	225,035
At 31 December 2009	**322,199**	**591,969**	**914,168**
Net book value			
At 31 December 2009	**139,782**	**66,822**	**206,604**
At 31 December 2008	268,880	129,359	398,239

10. Investments in subsidiary undertakings

	Company £
Shares in group undertakings	
At 1 January 2009	30,601
At 31 December 2009	**30,601**

A full list of subsidiaries at the balance sheet date,

Subsidiary	*Country*	*Shareholding*	*Nature of business*
Glu Mobile Sarl	France	100% Subsidiary	Sales & marketing operation
Glu Mobile GmbH	Germany	100% Subsidiary	Sales & marketing operation
Glu Mobile SL	Spain	100% Subsidiary	Sales & marketing operation
Glu Mobile Srl	Italy	100% Subsidiary	Sales & marketing operation
IFone Holdings Ltd (i)	UK	100% Subsidiary	Non-trading company
IFone Limited (i)	UK	100% Subsidiary	Dormant

11. Debtors

Group	2009 £	2008 £
Trade debtors	**2,675,382**	3,597,713
Amounts owed by fellow group companies	**226,609**	114,207
Corporation tax receivable	**263,419**	613,810
Other debtors	**688,059**	612,339
Prepayments and accrued income	**2,206,328**	3,292,319
	6,059,797	8,230,388

Prepayments and accrued income is comprised mainly of unbilled customer receivables amounting to £1,499,477 (2008 £1,747,874) and advanced royalty payments £484,949 (2008 £1,398,341)

Within other debtors there is a £377,850 long term debtor in respect of a rent deposit (2008 £377,838)

Amounts owed by fellow group companies for balances are unsecured, interest free and have no fixed date of repayment

Company	2009 £	2008 £
Trade debtors	**2,675,381**	3,597,713
Amounts owed by fellow group companies	**774,450**	662,600
Corporation tax receivable	**263,419**	603,732
Other debtors	**481,673**	387,740
Prepayments and accrued income	**2,193,442**	3,286,299
	6,388,365	8,538,084

Within other debtors there is a £377,850 long term debtor in respect of a rent deposit (2008 £377,838)

Amounts owed by fellow group companies for balances are unsecured, interest free and have no fixed date of repayment

12. Creditors

Group

Amounts falling due within one year

	2009	2008
	£	£
Trade creditors	**397,321**	1,245,736
Amounts owed to fellow group companies	**6,901,328**	10,974,101
Other taxes and social security	**135,150**	283,285
Accruals and deferred income	**2,247,443**	2,713,834
	9,681,242	15,216,956

Amounts owed to fellow group companies for balances are unsecured, interest free and have no fixed date of repayment

Company

Amounts falling due within one year

	2009	2008
	£	£
Trade creditors	**362,368**	1,220,740
Amounts owed to fellow group companies	**7,735,790**	11,777,383
Other taxes and social security	**62,856**	183,616
Accruals and deferred income	**2,204,286**	2,632,720
	10,365,300	15,814,459

Amounts owed to fellow group companies for balances are unsecured, interest free and have no fixed date of repayment

13. Provisions for liabilities

	Group and Company Royalty contracts	**Group and Company** Leasehold contracts	**Group and Company** Onerous contracts
	£	£	£
At 1 January 2009	448,579	-	448,579
Additions	54,261	28,218	82,479
Utilised during the year	(448,579)	-	(448,579)
At 31 December 2009	**54,261**	**28,218**	**82,479**

Amounts have been provided for at the end of the year in relation to amounts not recoverable on onerous royalty and leasehold contacts £82,479 (2008 £ 448,579) All amounts are to be utilised within the next year

14. Share capital

Group and Company

Share capital comprises the following

	2009		2008	
	Number	**£**	Number	£
Authorised				
Ordinary Shares £0 01 each	200,000	2,000	200,000	2,000
Preference Shares £1 00 each	750,000	750,000	750,000	750,000
	950,000	**752,000**	950,000	752,000

	2009		2008	
Allotted, called up & fully paid	**Number**	**£**	Number	£
Ordinary Shares £0 01 each	102,715	1,027	102,715	1,027
Preference Shares £1 00 each	500,000	500,000	500,000	500,000
	602,715	**501,027**	602,715	501,027

Preference shares carry no rights to dividends or to vote at any general meeting of the Company On return of capital or on winding up of the Company, preference shareholders are paid prior to the return of any capital paid to the ordinary shareholders

15. Reserves

Group
Movement on reserves during the year is as follows

	Other Non-Distributable Reserve	Share Options Reserve	Total Other Reserves	Profit & Loss	Share Premium
At 1 January 2009	329,403	853,146	1,182,549	(6,671,087)	505,168
Profit for the financial year	-	-	-	2,182,917	
Movement in foreign exchange	-	-	-	(10,753)	-
Charge in respect of share option scheme	-	82,227	82,227	-	-
At 31 December 2009	**329,403**	**935,373**	**1,264,776**	**(4,498,923)**	**505,168**

Company
Movement on reserves during the year is as follows

	Share Options Reserve	Profit & Loss	Share Premium
At 1 January 2009	853,146	(6,704,569)	505,168
Profit for the financial year	-	2,115,716	-
Charge in respect of share option scheme	82,227	-	-
At 31 December 2009	**935,373**	**(4,588,853)**	**505,168**

The other reserve relates to capital contributions and distributions in respect of the share option schemes as detailed in note 17

The other non distributable reserve relates to the shares of IFone Holdings Ltd, owned by Glu Mobile Inc, which were transferred to Glu Mobile Ltd during the year ended 31 December 2008 via a Contribution Agreement at no cost to Glu Mobile Ltd

16. Reconciliation of movements in shareholders' deficit

	2009	2008
	£	£
Group		
Profit/(loss) for the year	**2,182,917**	(1,506,894)
Share option charge	**82,227**	396,846
Movement in foreign exchange	**(10,753)**	24,803
Valuation from gift of investment	**-**	329,403
Net decrease/(increase) in shareholders' deficit	**2,254,391**	(755,842)
Opening shareholders' deficit	**(4,482,343)**	(3,726,501)
Closing shareholders' deficit	**(2,227,952)**	(4,482,343)

16. Reconciliation of movements in shareholders' deficit (continued)

	2009	2008
	£	£
Company		
Profit/(loss) for the Year	**2,115,716**	(1,491,789)
Share option charge	**82,227**	396,846
Net decrease/(increase) in shareholders' deficit	**2,197,943**	(1,094,943)
Opening shareholders' deficit	**(4,845,228)**	(3,750,285)
Closing shareholders' deficit	**(2,647,285)**	(4,845,228)

17. Share based payments

Certain of the Company's employees are awarded share options in the Company's ultimate parent undertaking, Glu Mobile Inc , a Company based in the USA The awards are made as part of a share option scheme whereby employees are awarded shares which can be exercised up to a set number years from the grant date Of these awards, one quarter vest after one year, followed monthly by 1/48 of the total number offered thereafter The exercise price of the award represents the market value at the date of the award

There are currently two different schemes in operation, (i) 2007 Share Plan and (ii) 2007 Employee Stock Purchase Plan ("ESPP") The Company previously had a 2001 share plan of which was subsequently superseded by the 2007 share plan at the end of 2007 The difference between these two plans is the option life attached to the plan The 2001 plan had 10 years option life whereas the 2007 plan has in place a 6 years option life

The charge in respect of the share options has been calculated using the Black-Scholes method with an assumed volatility of 59% (2008, 44%) and a risk free interest rate of 1 43% (2008, 2 65%) The fair value per option granted and the assumptions used in the calculation are as follows -

Grant date (average)	**2009**	2008
Share price at grant date	**£0 53**	£2 05
Exercise price	**£0 53**	£2 05
Number of employees	**56**	82
Shares under options	**208,024**	487,520
Vesting period (years)	**4**	4
Expected volatility	**59%**	44%
Option life (years)	**6 65**	7 98
Expected life (years)	**3.2**	4 1
Risk free rate	**1 43%**	2 65%
Fair value per option	**£0.67**	£1 55

The range of exercise prices for options outstanding at the year-end was £0 48 and £5 93 (2008 £0 29 to £5 93) The weighted average remaining contractual life for options outstanding at the end of the year was 5 4 years (2008 5 34 years)

The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur

17. Share based payments (continued)

A reconciliation of option movements over the year to 31 December 2009 is shown below,

	2009		2008	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	487,520	£3 08	482,605	£4 00
Granted	181,430	£0 53	285,751	£1 84
Lapsed	(460,926)	£3 35	(254,310)	£3 57
Exercised	-	-	(26,526)	£1 66
Outstanding at 31 December	208,024	£1 45	487,520	£3 08
Exercisable at 31 December	62,734	£0 73	166,025	£1 27

The weighted average share price at the date of exercise for options exercised in the year was £nil (2008 £1 66) The total charge for the year relating to employee share-based payment plans was £82,227 (2008 £ 396,846)

During the year three directors were granted a total of 38,749 (2008 24500) options at an option price of £0 48 and £0 50 (2008 £0 54 and £2 48) The charges during the year in respect of these options were £3,414 (2008 £1,030)

18. Capital and financial commitments

(i) Capital expenditure

As of 31 December 2009 £nil (2008 £nil) of capital expenditure was committed to be spent in the following financial year

(ii) Lease commitments

As at 31 December 2009 the Company had annual commitments under non-cancellable operating lease in respect of certain land and buildings, expiring as follows

	Land and Buildings	
	2009	2008
	£	£
Group		
Within one year	**85,608**	75,761
Between two to five years	**302,328**	302,328
	387,936	378,089

	Land and Buildings	
	2009	2008
	£	£
Company		
Between two to five years	**302,328**	302,328
	302,328	302,328

19. Ultimate parent company

The Company's immediate and ultimate parent undertaking and ultimate controlling party is Glu Mobile Inc , a Company incorporated in Delaware, USA Accounts may be obtained from Glu Mobile Inc , 45 Fremont Street, Suite 2800, San Francisco, CA 94105-2209, USA

20. Post balance sheet events

There were no significant post balance events that would have an effect on the financial statements of the Company

21. Loss of the parent company

The consolidated profit and loss account consolidates the profit and loss accounts of the parent company and subsidiary undertakings As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements The profit for the year after tax for the Company was £2,115,716 (2008 loss £1,491,789)