
REGISTERED NO. 04223253

GLU MOBILE LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2010

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Company information

Directors

Eric Ludwig
Olivier Bernard
Scott Leichtner

Secretary

Scott Leichtner

Registered Office

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
First Point,
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Gatwick,
West Sussex,
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**Annual Report and Financial Statements
For the year ended 31 December 2010**

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**Directors' Report
For the year ended 31 December 2010**

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 2010

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 and 2010, the Group's sales growth continued to decline in 2010 compared to 2009. The decline in sales was also attributable to the continued market penetration of smartphones as the Group is heavily reliant on feature phones and sales of JAVA and BREW based content on these handsets. As smartphones continue to penetrate the market, game sales on traditional feature phones will continue to decline.

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

	2010	2009
Revenue decrease	(16.6)%	(4.6)%
Gross margin	92.6%	87.6%
Average number of employees	35	67
Revenue per employee	£344,640	£ 215,824

Turnover in 2010 showed a 16.6% decrease from the prior year, as a result, management will continue to focus on liquidity and look to reduce the Group's cost base in future years.

The Group undertook restructuring of its operations during 2010 and 2009 and this is expected to continue for 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 Group currently relies on large wireless carriers, in particular, Vodafone, Orange, T-Mobile and O₂Telefonica, 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 Group'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.
- Consumer demand for free to play or "freemium games" has increased significantly, and 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 Group currently relies on revenue generated primarily from the sale of JAVA and BREW games on older traditional handset devices or "feature phones". The Group 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 as the Group does not have direct business relationships with global smartphone app stores such as Apple or Google,
- The Group 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, and
- The markets in which we operate are highly competitive, and many of our competitors have significantly greater resources than we do.

Directors' Report (continued)

The Group 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

Financial risk management

The Group'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 Group does not use derivative financial instruments to manage its financial risk and as such no hedge accounting is applied

Credit Risk

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

Liquidity Risk

The ability of the Group 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 Group operates outside the United Kingdom and, as such, is exposed to exchange rate movements. To protect against high levels of exchange rate risk, the Group maintains the majority of its short-term monetary assets in Sterling

Results and dividends

The Group's turnover for 2010 decreased year on year by 16.6% (2009 decrease of 4.6%). 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 made a profit before taxation of £2,500,087 (2009 profit of £2,683,218) for the year ended 31 December 2010. The authorised share capital for the Company has remained unchanged during the year

The Directors do not recommend the payment of a dividend (2009 £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 Group'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 2010 and up to the date of approval of these financial statements were as follows

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

Directors' Report (continued)**Charitable and political donations**

There were no charitable or political donations made during the year (2009 £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 Company's directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the directors' remuneration report 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



O Bernard

**Company Director
Glu Mobile Limited**

Date: 30.03.2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLU MOBILE LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Glu Mobile Limited for the year ended 31 December 2010 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 Statement of directors' responsibilities 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 and express an opinion on 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 2010 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: 30 March 2012

GLU MOBILE LIMITED

Registered No 04223253

Consolidated Profit and Loss Account For the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover	2	12,062,401	14,460,180
Cost of sales		<u>(888,036)</u>	<u>(1,789,038)</u>
Gross profit		11,174,365	12,671,142
Distribution costs		<u>(2,202,761)</u>	<u>(2,499,191)</u>
Administrative expenses		<u>(6,474,349)</u>	<u>(7,491,473)</u>
Operating profit		2,497,255	2,680,478
Interest receivable	6	2,832	3,364
Interest payable	6	<u>-</u>	<u>(624)</u>
Profit on ordinary activities before taxation	3	2,500,087	2,683,218
Tax on profit on ordinary activities	7	<u>(370,381)</u>	<u>(500,301)</u>
Profit for the financial year	15	<u>2,129,706</u>	<u>2,182,917</u>

All amounts relating to the year ended 31 December 2010 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 2010

	2010 £	2009 £
Profit for the year	2,129,706	2,182,917
Movement in foreign exchange	<u>(8,179)</u>	<u>(10,753)</u>
Total recognised gains for the year	<u>2,121,527</u>	<u>2,172,164</u>

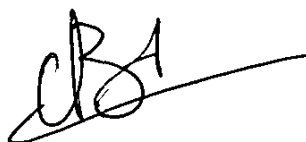
GLU MOBILE LIMITED

Registered No 04223253

Consolidated Balance Sheet As at 31 December 2010

	Note	2010 £	2009 £
Fixed assets			
Intangible assets	8	40,801	82,401
Tangible assets	9	<u>134,618</u>	<u>209,927</u>
		175,419	292,328
Current assets			
Debtors (including £77,967 due after more than one year (2009, £377,850))	11	6,397,551	6,059,797
Cash at bank and in hand		<u>2,028,593</u>	<u>1,183,644</u>
		8,426,144	7,243,441
Creditors – amounts falling due within one year	12	<u>(4,113,007)</u>	<u>(9,681,242)</u>
Net current assets/(liabilities)		4,313,137	(2,437,801)
Total assets less current liabilities		4,488,556	(2,145,473)
Provisions for liabilities	13	<u>(13,449)</u>	<u>(82,479)</u>
Net assets/(liabilities)		4,475,107	(2,227,952)
Capital and reserves			
Called up share capital	14	501,027	501,027
Share premium account	15	505,168	505,168
Other reserves	15	5,846,308	1,264,776
Profit and loss account	15	<u>(2,377,396)</u>	<u>(4,498,923)</u>
Total shareholders' surplus/(deficit)	16	4,475,107	(2,227,952)

The financial statements on pages 8 – 25 were approved by the board of directors on 30.03.2012 and were signed on its behalf by



O Bernard
Director

GLU MOBILE LIMITED

Registered No 04223253

Company Balance Sheet As at 31 December 2010

	Note	2010 £	2009 £
Fixed assets			
Intangible assets	8	40,000	80,000
Tangible assets	9	133,205	206,604
Investment	10	30,601	30,601
		<u>203,806</u>	<u>317,205</u>
Current assets			
Debtors (including £77,967 due after more than one year (2009, £377,850))	11	6,753,649	6,388,365
Cash at bank and in hand		2,011,333	1,094,924
		<u>8,764,982</u>	<u>7,483,289</u>
Creditors - Amounts falling due within one year	12	(9,470,206)	(10,365,300)
Net current liabilities		<u>(705,224)</u>	<u>(2,882,011)</u>
Total assets less current liabilities		<u>(501,418)</u>	<u>(2,564,806)</u>
Provisions for liabilities	13	(13,449)	(82,479)
Net liabilities		<u>(514,867)</u>	<u>(2,647,285)</u>
Capital and reserves			
Called up share capital	14	501,027	501,027
Share premium account	15	505,168	505,168
Other reserves	15	960,719	935,373
Profit and loss account	15	(2,481,781)	(4,588,853)
Total shareholders' deficit	16	<u>(514,867)</u>	<u>(2,647,285)</u>

The financial statements on pages 8 – 25 were approved by the board of directors on 30.03.2012 and were signed on its behalf by



O Bernard
Director

**Notes to the financial statements
For the year ended 31 December 2010****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 £2,129,706 for the year ended 31 December 2010 (2009 £2,182,917) and has a surplus on shareholders' funds of £4,475,107 as at 31 December 2010 (2009 deficit of £2,227,952). 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 Parent 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 2010. 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 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.

	2010 £	2009 £
Europe	10,523,071	12,919,971
Rest of the world	1,539,330	1,540,209
	<u>12,062,401</u>	<u>14,460,180</u>

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2010 £	2009 £
Fees payable to the Company's auditor for the audit of the parent company and the consolidated financial statements	92,500	40,000
Fees payable to the Company's auditor and its associates for tax services	40,250	20,750
Operating leases - land and buildings	300,000	387,936
Depreciation of tangible fixed assets - owned assets	155,041	228,048
Research and development	1,063,783	1,846,827
Amortisation of intangibles	41,600	41,600
Exceptional cost of sales - impairment of licensor contracts	-	54,261

4. Directors' emoluments

	2010 £	2009 £
Aggregate emoluments	83,257	192,727
Compensation for loss of office	-	34,616
	<u>83,257</u>	<u>227,343</u>

	2010 £	2009 £
Highest paid director		
Aggregate emoluments	83,257	114,307
Compensation for loss of office	-	34,616
	<u>83,257</u>	<u>148,923</u>

During the year two directors were awarded options under the parent company's share option scheme (2009: 3). None of the directors exercised options during the year (2009: nil).

5. Employee information**Group**

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

	2010	2009
Product development	17	37
Sales and distribution	10	14
Administration	8	16
	35	67

Employment costs of all employees included above comprise

	2010	2009
	£	£
Wages and salaries	2,304,679	3,296,487
Social security costs	386,309	466,610
Cost of employee share scheme (Note 17)	25,346	82,227
	2,716,334	3,845,324

Company

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

	2010	2009
Product development	17	37
Sales and distribution	6	5
Administration	8	15
	31	57

Employment costs of all employees included above comprise

	2010	2009
	£	£
Wages and salaries	1,868,182	2,528,020
Social security costs	277,211	272,431
Cost of employee share scheme (Note 17)	25,347	82,227
	2,170,740	2,882,678

6. Interest

	2010	2009
	£	£
Bank interest receivable	2,832	3,364
Interest payable	-	(624)
	2,832	2,740

7. Tax on profit on ordinary activities

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

	2010	2009
	£	£
Current tax		
UK corporation tax	-	-
Foreign tax		
Overseas corporation tax	24,544	60,978
Foreign taxes – withholding tax	345,837	439,323
Total foreign corporation tax	370,381	500,301
Total current tax	370,381	500,301

The current tax charge for the year is lower (2009 lower) than the standard rate of corporation tax in the UK

Factors affecting the tax charge for the current year

	2010	2009
	£	£
Profit on ordinary activities before tax	2,500,087	2,683,218
UK corporation tax at 28.0% (2009 28.0%)	700,024	751,301
Effects of:		
Expenses not allowable	21,756	15,173
Depreciation in excess of capital allowances	-	62,519
Capital allowances in excess of depreciation	(16,919)	-
Other timing differences	(1,553)	53,505
Losses utilised	(496,623)	(846,161)
Foreign withholding tax credits utilised	(193,476)	-
Foreign withholding tax suffered	345,837	439,323
Overseas tax – higher tax rate	11,335	24,641
	370,381	500,301

The Company has an unprovided deferred tax asset of £10,274 (2009 £492,487) in respect of losses in 2010. The Company also has an unprovided deferred tax asset of £577,455 (2009 £469,420) in respect of non-accelerated capital allowances and other timing differences. Whilst the Group has been profitable in the year there remains uncertainty over the recoverability of the deferred tax asset and as such it has not been recognised.

During 2011, the rates of Corporation tax decreased from 28% to 26%, in addition, a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

8. Intangible assets

	Group Purchased goodwill £	Company Purchased goodwill £
Cost		
At 1 January 2010	208,001	200,000
At 31 December 2010	208,001	200,000
Accumulated amortisation		
At 1 January 2010	(125,600)	(120,000)
Charge for the year	(41,600)	(40,000)
At 31 December 2010	(167,200)	(160,000)
Net book value		
At 31 December 2010	40,801	40,000
At 31 December 2009	82,401	80,000

9. Tangible fixed assets

Group

	Short leasehold property improvements £	Office & computer equipment £	Total £
Cost			
At 1 January 2010	461,981	678,887	1,140,868
Additions	-	81,422	81,422
Disposals	-	(6,118)	(6,118)
At 31 December 2010	461,981	754,191	1,216,172
Accumulated depreciation			
At 1 January 2010	322,199	608,742	930,941
Charge for the year	91,321	63,720	155,041
Disposals	-	(4,428)	(4,428)
At 31 December 2010	413,520	668,034	1,081,554
Net book value			
At 31 December 2010	48,461	86,157	134,618
At 31 December 2009	139,782	70,145	209,927

9. Tangible fixed assets (continued)

Company

	Short leasehold property improvements £	Office & computer equipment £	Total £
Cost			
At 1 January 2010	461,981	658,791	1,120,772
Additions	-	81,422	81,422
At 31 December 2010	461,981	740,213	1,202,194
Accumulated depreciation			
At 1 January 2010	322,199	591,969	914,168
Charge for the year	91,321	63,500	154,821
At 31 December 2010	413,520	655,469	1,068,989
Net book value			
At 31 December 2010	48,461	84,744	133,205
At 31 December 2009	139,782	66,822	206,604

10. Investments in subsidiary undertakings

	Company £
Shares in group undertakings	
At 1 January 2010	30,601
At 31 December 2010	30,601

A full list of subsidiaries at the balance sheet date

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

(i) On 24 December 2010 the Directors have put this company into voluntary liquidation and expect to fully liquidate all assets within the next 24 months. All proceeds of the liquidation will be transferred back to Glu Mobile Ltd by way of dividend through Superscape Ltd.

10. Investments in subsidiary undertakings (continued)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held by the parent company does not differ from the proportion of ordinary shares held. The parent company does not have any further share holdings in any other shares of subsidiary undertakings included in the Group.

11. Debtors

	2010	2009
Group	£	£
Trade debtors	1,839,957	2,675,382
Amounts owed by fellow group companies	1,475,774	226,609
Corporation tax receivable	-	263,419
Other debtors	687,747	688,059
Prepayments and accrued income	2,394,073	2,206,328
	<u>6,397,551</u>	<u>6,059,797</u>

Prepayments and accrued income is comprised mainly of unbilled customer receivables amounting to £1,920,983 (2009: £1,499,477) and advanced royalty payments £318,560 (2009: £484,949).

Within other debtors there is a £377,888 short term debtor in respect of a rent deposit (2009: long term debtor amounting to £377,850).

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

	2010	2009
Company	£	£
Trade debtors	1,839,957	2,675,381
Amounts owed by fellow group companies	2,018,595	774,450
Corporation tax receivable	-	263,419
Other debtors	512,256	481,673
Prepayments and accrued income	2,382,841	2,193,442
	<u>6,753,649</u>	<u>6,388,365</u>

Within other debtors there is a £377,888 short term debtor in respect of a rent deposit (2009: £377,850).

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

12. Creditors**Group**

Amounts falling due within one year

	2010	2009
	£	£
Trade creditors	827,845	397,321
Amounts owed to fellow group companies	951,954	6,901,328
Other taxes and social security	148,995	135,150
Accruals and deferred income	2,184,213	2,247,443
	<u>4,113,007</u>	<u>9,681,242</u>

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

Company

Amounts falling due within one year

	2010	2009
	£	£
Trade creditors	808,791	362,368
Amounts owed to fellow group companies	6,511,860	7,735,790
Other taxes and social security	45,189	62,856
Accruals and deferred income	2,104,366	2,204,286
	<u>9,470,206</u>	<u>10,365,300</u>

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

13. Provisions for liabilities**Group and Company**

	Royalty contracts £	Leasehold contracts £	Total onerous contracts £
At 1 January 2010	54,261	28,218	82,479
Additions	-	-	-
Utilised during the year	(54,261)	(14,769)	(69,030)
At 31 December 2010	<u>-</u>	<u>13,449</u>	<u>13,449</u>

Amounts have been provided for at the end of the year in relation to amounts not recoverable on onerous royalty and leasehold contracts £13,449 (2009 £82,479) All amounts are to be utilised within the next year

14. Share capital**Group and Company**

Share capital comprises the following

	2010		2009	
	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

	2010		2009	
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 2010	329,403	935,373	1,264,776	(4,498,923)	505,168
Profit for the financial year	-	-	-	2,129,706	-
Proceeds from gift of investment	4,556,186	-	4,556,186	-	-
Movement in foreign exchange	-	-	-	(8,179)	-
Charge in respect of share option scheme	-	25,346	25,346	-	-
At 31 December 2010	4,885,589	960,719	5,846,308	(2,377,396)	505,168

Company

Movement on reserves during the year is as follows

	Share options reserve	Profit & loss	Share premium
At 1 January 2010	935,373	(4,588,853)	505,168
Profit for the financial year	-	2,107,072	-
Charge in respect of share option scheme	25,346	-	-
At 31 December 2010	960,719	(2,481,781)	505,168

The other reserves relate 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 and Superscape Limited, owned by Glu Mobile Inc, which were transferred to Glu Mobile Ltd during the year ended 31 December 2008 and 31 December 2010 respectively, via a Contribution Agreement at no cost to Glu Mobile Ltd

16. Reconciliation of movements in shareholders' funds/(deficit)

	2010	2009
	£	£
Group		
Profit for the year	2,129,706	2,182,917
Share option charge	25,346	82,227
Movement in foreign exchange	(8,179)	(10,753)
Valuation from gift of investment	4,556,186	-
Net decrease in shareholders' deficit	6,703,059	2,254,391
Opening shareholders' deficit	(2,227,952)	(4,482,343)
Closing shareholders' funds/(deficit)	4,475,107	(2,227,952)

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

	2010	2009
	£	£
Company		
Profit for the year	2,107,072	2,115,716
Share option charge	25,346	82,227
Net decrease in shareholders' deficit	2,132,418	2,197,943
Opening shareholders' deficit	(2,647,285)	(4,845,228)
Closing shareholders' deficit	(514,867)	(2,647,285)

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 77% (2009 59%) and a risk free interest rate of 1.15% (2009 1.43%). The fair value per option granted and the assumptions used in the calculation are as follows:

	2010	2009
Grant date (average)		
Share price at grant date	£0.74	£0.53
Exercise price	£0.74	£0.53
Number of employees	23	56
Shares under options	203,966	208,024
Vesting period (years)	4	4
Expected volatility	77%	59%
Option life (years)	6.08	6.65
Expected life (years)	3.1	3.2
Risk free rate	1.15%	1.43%
Fair value per option	£0.42	£0.67

The range of exercise prices for options outstanding at the year-end was £0.48 and £5.55 (2009 £0.48 to £5.93). The weighted average remaining contractual life for options outstanding at the end of the year was 4.8 years (2009 5.4 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.

17. Share based payments (continued)

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

A reconciliation of option movements over the year to 31 December 2010 is shown below

	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	208,024	£1 45	487,520	£3 08
Granted	148,625	£0 74	181,430	£0 53
Lapsed	(137,479)	£0 83	(460,926)	£3 35
Exercised	(15,204)	£0 49	-	-
Outstanding at 31 December	203,966	£0 92	208,024	£1 45
Exercisable at 31 December	61,593	£0 39	62,734	£0 73

The weighted average share price at the date of exercise for options exercised in the year was £0 49 (2009 £nil). The total charge for the year relating to employee share-based payment plans was £25,346 (2009 £82,227)

During the year two directors were granted a total of 65,000 (2009 38,749) options at an option price of £0 68 and £0 77 (2009 £0 48 and £0 50). The charges during the year in respect of these options were £5,092 (2009 £3,414)

18. Capital and financial commitments
(i) Capital expenditure

As of 31 December 2010 £nil (2009 £nil) of capital expenditure was committed to be spent in the following financial year

(ii) Lease commitments

As at 31 December 2010 the Company had annual commitments under non-cancellable operating lease in respect of certain land and buildings, expiring as follows

	Land and buildings	
	2010	2009
	£	£
Group		
Within one year	300,000	85,608
Between two to five years	-	302,328
	<u>300,000</u>	<u>387,936</u>

18. Capital and financial commitments (continued)

	Land and buildings	
	2010	2009
	£	£
Company		
Within one year	243,000	-
Between two to five years	-	302,328
	243,000	302,328

19. Immediate and 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 a material effect on the financial statements of the Company

21. Profit of the Company

The consolidated profit and loss account consolidates the profit and loss accounts of the Company and subsidiary undertakings. As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit for the year after tax for the Company was £2,107,072 (2009 £2,115,716)