

4620348

GIZMONDO (EUROPE) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended
31 DECEMBER 2004



GIZMONDO (EUROPE) LIMITED

CONTENTS

Pages

Directors and advisers

2

Directors' report

3 – 4

Statement of directors' responsibilities

5

Independent auditors' report

6

Profit and loss account

7

Balance sheet

8 – 9

Consolidated Cashflow Statement

10

Reconciliation of movements in shareholders' funds

11

Notes to the accounts

12 – 27

GIZMONDO (EUROPE) LIMITED

DIRECTORS AND ADVISERS

DIRECTORS

Steve Carroll
M Ali Khan

SECRETARY

Tamela Sainsbury

REGISTERED OFFICE

1 Meadow Gate Avenue
Farnborough Business Park
Farnborough
Hampshire
GU14 6FG

BANKERS

National Westminster Bank plc
176 Fleet Road
Hampshire
GU51 4DA

BUSINESS AND TAX ADVISERS

Smith & Williamson Limited
Chartered Accountants
25 Moorgate
London
EC2R 6AY

AUDITORS

Nexia Audit Limited
25 Moorgate
London
EC2R 6AY

SOLICITORS

Manches LLP
Aldwych House
81 Aldwych
London
WC2B 4RP

COMPANY'S REGISTERED NUMBER

04620348

GIZMONDO (EUROPE) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

Activities

The principal activity of the company has been the development of a multifunctional entertainment device.

Review of business

Through 2004, development of the handheld multifunction entertainment device progressed in accordance with the Directors expectations. Further substantial investment took place through 2004 which led to the launch of the "Gizmondo" in the UK in March 2005 and is expected to launch in North America in late 2005. The directors consider the results for the year to be consistent with their expectations and look forward to the future with confidence.

Results and dividends

	2004 £	2003 £
Loss after tax for the year after minority interest	(49,010,589)	(5,342,262)

The directors do not recommend the payment of a dividend.

Fixed assets

Acquisition and disposal of fixed assets during the year are shown in the notes to the accounts.

Share capital

The capital of the company was increased by £98 by way of an issue of shares.

Directors

The directors listed below served in the year.

Carl Freer
Stefan Eriksson
Peter Uf
Joseph Marten
M. Ali Khan (appointed 1 September 2004)

Mr Steve Carroll has been acting as a Technical director although his formal appointment notification to the Registrar of Companies had not been filed.

The directors' interests in the share capital of the parent company, Tiger Telematics Inc are disclosed in the accounts of that company.

On 18 October 2005 Carl Freer, Peter Uf and Stefan Eriksson resigned as directors of the company. As a result, Steve Carroll was formally appointed to the role of Managing Director.

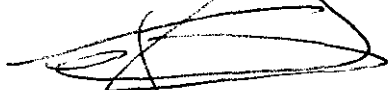
GIZMONDO (EUROPE) LIMITED

DIRECTORS' REPORT (continued)

Auditors

Nexia Audit Limited were the auditors during the year. A resolution to reappoint them will be put to the members at the Annual General Meeting.

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON BEHALF OF THE BOARD.

A handwritten signature in black ink, appearing to be 'T Sainsbury', written over a horizontal line.

T Sainsbury
COMPANY SECRETARY

GIZMONDO (EUROPE) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the 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 accounting standards have been followed, subject to any material departure disclosed and explained in the accounts;
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position for the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nexia Audit

— · Limited · —

Independent auditors' report to the shareholders of Gizmondo (Europe) Limited

We have audited the accounts of Gizmondo (Europe) Limited for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cashflow Statement and the related notes 1 to 24. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the continued support of the company's parent through the provision of adequate loan facilities. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Limited
Nexia Audit Limited
Chartered Accountants
Registered Auditors

Date

10 November 2005

25 Moorgate
London
EC2R 6AY

GIZMONDO (EUROPE) LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 DECEMBER 2004**

	Notes	2004 £	2003 £
Turnover		401,843	5,084
Cost of sales	3	(404,016)	(8,313)
		<hr/>	<hr/>
Gross loss		(2,173)	(3,229)
Net operating expenses	3	(48,933,323)	(5,318,065)
		<hr/>	<hr/>
Operating loss	3	(48,935,496)	(5,321,294)
Interest payable and similar charges	6	(75,093)	(20,968)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(49,010,589)	(5,342,262)
Tax on ordinary activities	7	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(49,010,589)	(5,342,262)
Minority interest		147,571	-
		<hr/>	<hr/>
Retained loss transferred to reserves	16	(48,863,018)	(5,342,262)
		<hr/>	<hr/>

There were no gains or losses in the year other than those included in the above profit and loss account.

All of the company's activities are classed as continuing.

GIZMONDO (EUROPE) LIMITED**CONSOLIDATED BALANCE SHEET as at 31 DECEMBER 2004**

	Note	2004 £	2003 £
Fixed assets			
Intangible assets	8	6,596,596	-
Tangible assets	9	556,689	193,633
		<hr/>	<hr/>
		7,153,285	193,633
Current assets			
Stock	11	20,000	20,000
Debtors	12	3,402,933	336,093
Cash at bank in hand		1,807,739	-
		<hr/>	<hr/>
		5,230,672	356,093
Creditors: amounts falling due within one year	13	(12,739,023)	(2,015,115)
		<hr/>	<hr/>
Net current liabilities		(7,508,351)	(1,659,022)
		<hr/>	<hr/>
Total assets less current liabilities		(355,066)	(1,465,389)
Creditors: amounts falling due after more than one year	14	(53,995,185)	(3,876,871)
		<hr/>	<hr/>
Net liabilities		(54,350,251)	(5,342,260)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	100	2
Profit and loss account	16	(54,205,280)	(5,342,262)
		<hr/>	<hr/>
Shareholder's funds		(54,205,180)	(5,342,260)
Minority interest		(145,071)	-
		<hr/>	<hr/>
Total capital employed		(54,350,251)	(5,342,260)
		<hr/>	<hr/>

The accounts were approved by the Board of Directors on
by:



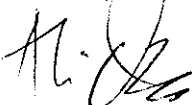
Ali Khan
Director

7 Nov 2005 and were signed on its behalf

GIZMONDO (EUROPE) LIMITED**COMPANY BALANCE SHEET as at 31 DECEMBER 2004**

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	9	467,051	190,673
Investments	10	7,975,062	200
		<hr/>	<hr/>
		8,442,113	190,873
Current assets			
Stocks	11	20,000	20,000
Debtors	12	4,206,558	308,573
Cash at bank		1,764,357	-
		<hr/>	<hr/>
		5,990,915	328,573
Creditors: amounts falling due within one year	13	(12,462,295)	(2,020,768)
		<hr/>	<hr/>
Net current liabilities		(6,471,380)	(1,692,195)
Total assets less current liabilities		1,970,733	(1,501,322)
Creditors: falling due after more than one year	14	(54,006,335)	(3,888,021)
		<hr/>	<hr/>
Net liabilities		(52,035,602)	(5,389,343)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	100	2
Profit and loss account	16	(52,035,702)	(5,389,345)
		<hr/>	<hr/>
Shareholder's funds		(52,035,602)	(5,389,343)
		<hr/>	<hr/>

The accounts were approved by the Board of Directors on behalf by:



Ali Khan
Director

7 Nov 2005 and were signed on its

GIZMONDO (EUROPE) LIMITED**CONSOLIDATED CASHFLOW STATEMENT**
For the year ended 31 DECEMBER 2004

	Notes	2004 £	2003 £
Net cash outflow from operating activities	18	(26,230,831)	(1,861,624)
Returns on investments and servicing of finance			
Interest paid and similar charges		(57,246)	(10,147)
Interest element of finance lease rentals payment		(17,847)	(10,821)
		<hr/> (75,093)	<hr/> (20,968)
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(206,112)	(127,335)
Amounts loaned to fellow subsidiary		(1,005,000)	-
		<hr/> (1,211,112)	<hr/> (127,335)
Net cash outflow before financing		<hr/> (27,517,036)	<hr/> (2,009,927)
Financing			
Increase in share capital		98	2
Capital element of finance lease rentals payment		(218,128)	(22,540)
Loan advances made by the ultimate parent company		29,527,885	2,032,360
		<hr/> 29,309,855	<hr/> 2,009,822
Increase/(decrease) in cash in the year	19	<hr/> 1,792,819	<hr/> (105)

GIZMONDO (EUROPE) LIMITED**CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**
For the year ended 31 DECEMBER 2004

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Loss for the year	(48,863,018)	(46,646,357)	(5,342,262)	(5,389,345)
	(48,863,018)	(46,646,357)	(5,342,262)	(5,389,345)
New share capital subscribed	98	98	2	2
Net addition to shareholder's funds	(48,862,920)	(46,646,259)	(5,342,260)	(5,389,343)
Minority interest	(145,071)	-	-	-
Opening shareholder's funds	(5,342,260)	(5,389,343)	-	-
Closing shareholder's funds	(54,350,251)	(52,035,602)	(5,342,260)	(5,389,343)

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The important accounting policies adopted are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Going concern

As at 31 December 2004, the Group's balance sheet reflected a net liability position of £54,350,251 (2003: net liabilities of £5,342,260) and for the year ended on that date the company recorded a loss from ordinary activities of £49,010,589 (2003: £5,342,262). Therefore there is significant uncertainty concerning whether the Company will continue as a going concern.

The Company is reliant upon its parent, Tiger Telematics Inc for the continued provision of loan funds in order to continue as a going concern and to meet its debts as and when they fall due.

The Company's parent is in turn reliant upon ongoing contributions from its shareholders and upon the successful derivation of sufficient future cash flows from operations in order to fund:

- its own future operations;
- any future advances which may be required to fund Gizmondo Europe Limited; and
- the payment of amounts due to Gizmondo Europe Limited in the future from its fellow subsidiaries.

The financial report of Tiger Telematics Inc is accompanied by an audit opinion which states that there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding this uncertainty, the directors of Tiger Telematics Inc believe that the parent entity and the Group as a whole will remain as a going concern. In arriving at this conclusion, directors have had regard to:

- the company's ability to issue restricted common stock in exchange for services, thereby conserving cash resources;
- anticipation of increased proceeds for sales of Gizmondo units and accessories following the launch of the product in the US in the fourth quarter of 2005;
- the company's ability to issue equity securities to meet working capital requirements;
- the availability of short term loan finance from shareholders; and
- actions taken in July 2005 to achieve significant cost savings, including the closure of surplus facilities, reduction of staff numbers and the execution of the cost saving measures.

As a result of the above initiatives, the directors of Gizmondo Europe Limited have no reason to believe that Tiger Telematics Inc will not be in a position to both advance loan funds to the Company, if required, and to pay for services acquired from the Company for at least a period of 12 months from the date of the signing the financial statements.

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004

1 Accounting policies (continued)

Going concern (continued)

On this basis, the Company's directors consider it appropriate to regard the Company as a going concern as at 31 December 2004 and have not made any adjustments to the financial statements relating to the recoverability and classification of recorded asset amounts or the classification of liabilities that might be necessary should the Company not continue as a going concern.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertakings as at 31 December 2004 using acquisition accounting.

Tangible fixed assets

Fixed assets are shown at historical cost.

Depreciation is provided, after taking account of any grants receivable, at the following annual rates in order to write off each asset over its estimate useful life by the straight line method.

Leasehold improvements	-	4%
Plant and machinery	-	33%
Motor vehicles	-	20%
Fixtures and equipment	-	33%

Investments

Fixed asset investments are shown as cost less amounts written off.

Stock

Stock is stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement asset and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

1 Accounting policies (continued)

Deferred taxation (continued)

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase

Assets obtained under finance leases and hire purchase contracts are capitalised as tangible fixed assets. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rate of exchange during the year. All exchange differences are dealt with in the profit and loss account.

Research and development

Research and development expenditure is written off as incurred.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses representing any excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

2. Turnover

Turnover comprises the value of goods and services supplied in the normal course of business. Turnover is stated net of VAT and similar taxes, and trade discounts.

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

3	Cost of sales and net operating expenses	2004	2003
		£	£
	Cost of sales	404,016	8,313
		<hr/>	<hr/>
	Net operating expenses:		
	Administrative expenses	48,703,267	5,276,363
	Depreciation	230,056	41,702
		<hr/>	<hr/>
		48,933,323	5,318,065
		<hr/>	<hr/>
4	Operating loss		
	Is stated after charging:	£	£
	Operating leases	348,264	-
	Auditors' remuneration		
	Audit (Includes £65,000 in respect of the parent company (2003: £58,745))	85,500	77,272
	Non audit services (paid to related companies of the auditors)	37,240	11,750
	Depreciation and amortisation		
	Tangible assets: owned assets	204,869	16,515
	Tangible assets: leased assets	25,187	25,187
	Amortisation of goodwill	1,649,149	1,777,200
	Loss on disposal of tangible fixed assets	14,128	5,000
	Research and development costs expensed during the year	14,351,960	1,798,844
	Staff costs (note 5)	9,564,272	516,472
	Loss/(profit) on foreign exchange transactions	57,399	(916)
		<hr/>	<hr/>
5	Directors and employees		
	The average monthly number of employees (including directors) during the year and their aggregate emoluments were		
		No	No
	Management and administration	34	6
	Research and development	3	2
	Employee costs during the year amounted to:	£	£
	Wages and salaries	5,731,729	463,830
	Social security costs	3,832,543	52,642
		<hr/>	<hr/>
		9,564,272	516,472
		<hr/>	<hr/>

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

5	Directors and employees (continued)	2004	2003
		£	£
	<i>Directors' emoluments:</i>		
	Emoluments	6,191,551	239,352
		<hr/>	<hr/>
		£	£
	Chairman's emoluments	2,260,202	100,000
	Highest paid director's emoluments	2,260,202	100,000
		<hr/>	<hr/>
	No directors have benefits accruing under pension schemes funded by the company.		
6	Interest payable and similar charges	£	£
	On bank loans, overdrafts, other loans and hire purchase		
	Repayable within five years, by instalments – hire purchase	17,847	10,821
	Repayable within five years, not by instalments	57,246	10,147
		<hr/>	<hr/>
		75,093	20,968
		<hr/>	<hr/>
7	Tax on loss on ordinary activities	£	£
(a)	Corporation tax payable based on the loss for the year at 30% (19%)	-	-
		<hr/>	<hr/>
	Total current tax charge	-	-
		<hr/>	<hr/>
(b)	Factors affecting tax charge for the year		
	Loss on ordinary activities before tax	(49,010,589)	(5,342,262)
		<hr/>	<hr/>
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 19%)	(14,703,176)	(1,015,030)
		<hr/>	<hr/>
	<i>Effects of:</i>		
	Depreciation for the year in excess of capital allowances	47,062	1,628
	Loss on disposal of fixed assets	-	1,500
	Expenses not deductible for tax purposes	92,423	21,313
	Losses carried forward	13,968,598	1,117,442
	Additional relief for research and expenditure	-	(126,853)
	Tax effect of amortisation of goodwill	494,745	-
	Other timing differences	11,208	-
	Other consolidation differences	17,267	-
	Losses in overseas subsidiary	71,873	-
		<hr/>	<hr/>
	Current tax charge for the year	-	-
		<hr/>	<hr/>

GIZMONDO (EUROPE) LIMITED**NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)****7 Tax on loss on ordinary activities (continued)**

- (c) The company has tax losses of £51,929,994 (2003: £3,837,603) available to carry forward against future trading profits.
- (d) The deferred tax asset of £15,500,000 (2003: £1,148,409) resulting from carried forward trading losses has not been recognised, as the transfer of economic benefit in the future is uncertain.

8 Goodwill	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Cost				
At 1 January 2004	1,777,200	-	-	-
Additions	8,245,745	1,777,200	-	1,777,200
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	10,022,945	1,777,200	-	1,777,200
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 January 2004	1,777,200	-	-	-
Impairment	1,649,149	1,777,200	-	1,777,200
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	3,426,349	1,777,200	-	1,777,200
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2004	6,596,596	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

In May 2004, Gizmondo (Europe) Limited acquired 75% issued share capital of ISIS Models Limited, a modelling agency for \$310,000. The purchase consideration for this acquisition was satisfied by Tiger Telematics Inc, the ultimate parent company, issuing 40,000 shares of its restricted common stock valued at \$7.75 per share. The shares were issued on 20 August 2004.

On 2 August 2004, Gizmondo (Europe) Limited acquired 100% of the issued share capital of Indie Studios, a gaming software development company registered and based in Sweden. The purchase consideration for this acquisition was satisfied by Tiger Telematics Inc by issuance the following shares of its restricted common stock valued at \$7.75 per share:

1,000,000 shares and a provision for reserve of additional 600,000 shares to be issued once Indie Studios completed two games named in the purchase and sale agreement. These additional shares were issued in January 2005.

The separate assets and liabilities acquired for both ISIS Models Limited and Indie Studios constituting the Purchase goodwill are summarised below:

GIZMONDO (EUROPE) LIMITED
NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

8	Goodwill (continued)	Group ISIS Models	Group Indie Studios	Company ISIS Models	Company Indie Studios
		2004	2004	2004	2004
		£	£	£	£
	Assets				
	Tangible fixed assets	-	17,382	-	-
	Trade debtors	184,771	-	-	-
	Other debtors	-	437	-	-
	Liabilities				
	Bank overdraft	(47,767)	(10,819)	-	-
	Trade creditors	(141,999)	(10,287)	-	-
	Other creditors and accruals	(185,259)	(195,203)	-	-
	Net liabilities acquired	(190,254)	(198,490)	-	-

Indie Studios was acquired from a company in which Mr Peter Uf, Stefan Eriksson and Mr Joe Marten were directors.

9	Tangible fixed assets	Leasehold Improvements	Motor vehicles	Plant & Machinery	Fixtures & equipment	Total
Group		£	£	£	£	£
	Cost					
	At 1 January 2004	-	127,538	24,849	82,948	235,335
	Additions	13,627	392,000	2,763	189,722	598,112
	Disposals	-	-	(5,000)	-	(5,000)
	At 31 December 2004	13,627	519,538	22,612	272,670	828,447
	Depreciation					
	At 1 January 2004	-	25,187	8,220	8,295	41,702
	Charge for the year	545	159,363	8,155	61,993	230,056
	At 31 December 2004	545	184,550	16,375	70,288	271,758
	Net book value					
	At 31 December 2004	13,082	334,988	6,237	202,382	556,689
	At 31 December 2003	-	102,351	16,629	74,653	193,633

The net book value of tangible fixed assets includes £334,988 (2003: £102,351) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £159,363 (2003: £25,187).

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

9 Tangible fixed assets (continued)

Company	Motor vehicles £	Plant & Machinery £	Fixtures & equipment £	Total £
Cost				
At 1 January 2004	127,538	24,849	79,988	232,375
Additions	392,000	2,763	94,480	489,243
Disposals	-	(5,000)	-	(5,000)
At 31 December 2004	519,538	22,612	174,468	716,618
Depreciation				
At 1 January 2004	25,187	8,220	8,295	41,702
Charge for the year	159,363	8,155	40,347	207,865
At 31 December 2004	184,550	16,375	48,642	249,567
Net book value				
At 31 December 2004	334,988	6,237	125,826	467,051
At 31 December 2003	102,351	16,629	71,693	190,673

The net book value of tangible fixed assets includes £102,351 in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £25,187.

10 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2004	200
Additions	7,974,862
At 31 December 2004	7,975,062
Net book amounts	
At 31 December 2004	7,975,062
At 31 December 2003	200

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

10 Fixed asset investments (continued)

Particulars of subsidiary undertakings

	Country of incorporation	Proportion of voting rights held	Nature of business	Capital and reserves at 31 December 2004
Gametrac Developments Limited	England and Wales	100%	R & D	£30,732
Indie Studios AB	Sweden	100%	Games developer	£(438,066)
ISIS Models Limited	England and Wales	75%	Modelling agency	£(580,285)
Gizmondo France SA	France	100%	Sales & distribution	£70,794

11 Stock	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Components	20,000	20,000	20,000	20,000
	<hr/> 20,000	<hr/> 20,000	<hr/> 20,000	<hr/> 20,000

12 Debtors	Group £	Group £	Company £	Company £
<i>Amounts falling due within one year</i>				
Trade debtors	97,423	-	-	-
Amounts owed by subsidiary undertakings	-	-	982,797	-
Social security and other taxes	1,188,082	197,063	1,172,741	186,937
Director's current account	105,928	137,893	105,926	120,438
Other debtors	295,598	1,137	250,383	1,198
Prepayments & accrued income	710,902	-	689,711	-
	<hr/> 2,397,933	<hr/> 336,093	<hr/> 3,201,558	<hr/> 308,573

The director's current account relates to advances made to and expenses incurred on behalf of Mr Stefan Eriksson and the balance at 31 December 2004 is unsecured, interest free and repayable on demand. The maximum amount outstanding was £1,721,927 on 27th May 2004 (2003: £214,345 on 23 December 2003).

GIZMONDO (EUROPE) LIMITED**NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)****12 Debtors (continued)**

Amounts falling due after more than one year

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Amounts owed by fellow subsidiaries	1,005,000	-	1,005,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,005,000	-	1,005,000	-
	<hr/>	<hr/>	<hr/>	<hr/>

13 Creditors: amounts falling due within one year

	Group £	Group £	Company £	Company £
Bank loans and overdrafts	15,025	105	-	2,057
Finance leases and hire purchase contracts	45,611	23,149	45,611	23,149
Trade creditors	6,438,953	1,199,497	6,395,200	1,196,972
Other taxes and social security	3,871,744	415,252	3,716,054	415,252
Director's current account	93,862	143,061	93,862	146,912
Other creditors	213,900	63,766	135,515	66,141
Amounts owed to subsidiaries	-	-	35,894	-
Accruals and deferred income	2,059,928	170,285	2,040,159	170,285
	<hr/>	<hr/>	<hr/>	<hr/>
	12,739,023	2,015,115	12,462,295	2,020,768
	<hr/>	<hr/>	<hr/>	<hr/>

The director's current account relate to the net amount payable to Mr Carl Freer after taking into account advances made to him and expenses incurred on his behalf, including crediting his account with the payment made by Asiatic Commerce & Finance (see note 21) in respect of development costs incurred by Mr Carl Freer and Mr S Eriksson on behalf of the company.

The above balance is interest free and has been set-off against advances made to and expenses incurred on behalf of Mr Carl Freer after the balance sheet date. The maximum amount outstanding was £3,166,903 on 27 May 2004.

GIZMONDO (EUROPE) LIMITED
NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)
14 Creditors: amounts falling due after more than one year

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Finance leases and hire purchase contracts	218,721	67,311	218,721	67,311
Amounts owed to the ultimate parent company	53,776,464	3,809,560	53,787,614	3,820,710
	<hr/>	<hr/>	<hr/>	<hr/>
	53,995,185	3,876,871	54,006,335	3,888,021
	<hr/>	<hr/>	<hr/>	<hr/>
Analysis of borrowings	Group £	Group £	Company £	Company £
<i>Due within one year:</i>				
Bank loans and overdrafts	15,025	105	-	2,057
Finance leases and hire purchase contracts	45,611	23,149	45,611	23,149
<i>Due within 2 – 5 years:</i>				
Finance leases and hire purchase contracts	218,721	67,311	218,721	67,311
Amounts owing to the ultimate parent company	53,810,126	3,809,560	53,787,571	3,820,710
	<hr/>	<hr/>	<hr/>	<hr/>
	54,089,483	3,900,125	54,051,903	3,913,227
	<hr/>	<hr/>	<hr/>	<hr/>

Amount due to the ultimate parent company is interest free with no set repayment terms

15 Called up share capital	Group £	Group £	Company £	Company £
Authorised				
100,000 ordinary shares of £1 each	100	100	100	100
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted, called up and fully paid				
Ordinary shares of £1 each	100	2	100	2
	<hr/>	<hr/>	<hr/>	<hr/>

During the year, 98 ordinary shares of £1 each were subscribed to for a total consideration of £98.

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

16 Reserves	Profit & loss account Group £	Profit & loss account Company £
At 1 January 2004	(5,342,262)	(5,389,345)
Loss for the year	(48,863,018)	(46,646,357)
At 31 December 2004	(54,205,280)	(52,035,702)

17 Lease commitments

The company has entered into non-cancellable leases in respect of operating lease agreements, the payments for which extend over a period of up to 4 years.

The minimum annual rentals under the leases are as follows:

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Land and buildings: Leases expiring within 2 to 5 years	160,488	160,488	160,488	160,488
Other: Leases expiring within 2 to 5 years	51,911	13,032	51,911	13,032

18 Reconciliation of operating loss to net cash flow from operating activities

	2004 £	2003 £
Operating loss	(48,935,496)	(5,321,294)
Depreciation	230,056	41,702
Amortisation of goodwill	1,649,149	1,777,200
Loss on sale of tangible fixed assets	5,000	5,000
Increase in Stock	-	(20,000)
Increase in debtors	(2,061,840)	(336,093)
Increase in creditors	22,882,300	1,991,861
Net operating outflow from operating activities	(26,230,831)	(1,861,624)

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

19 Reconciliation of net cash flow to movement in net funds/(debt)	2004	2003
	£	£
Increase/(decrease) in cash	1,792,819	(105)
Cash used to repay hire purchase liability	26,128	18,559
Change in net funds resulting from cash flows	1,818,947	18,454
New hire purchase liabilities	(200,000)	(109,019)
Other loans	49,199	(143,061)
Opening net debt	(233,626)	-
Closing net funds	1,434,520	(233,626)

20 Analysis of changes in net (debt)/funds

	At 1 January 2004 £	Cash flow £	Non-cash movements £	At 31 December 2004 £
Cash at bank	-	1,807,844	-	1,807,844
Overdraft	(105)	(15,025)	-	(15,130)
Hire purchase	(90,460)	26,128	(200,000)	(264,332)
Other loans	(143,061)	-	49,199	(93,862)
	(233,626)	1,818,947	(150,801)	1,434,520

21 Ultimate parent company

The company is a subsidiary undertaking of Tiger Telematics Inc, a company incorporated and registered in the United States and its shares are listed on Other Over The Counter (OOTC) exchange.

Copies of the consolidated accounts of Tiger Telematics Inc can be obtained from 10201 Centurion Park North, Suite 600, Jacksonville, Florida 32256, USA.

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

22 Related party transactions

The company has taken exemption conferred by Financial Reporting Standard 8 from the requirement to disclose transactions with other group companies on the basis that consolidated accounts are prepared which include the results of Gizmondo Europe Limited and its subsidiaries.

During the year, Asiatic Commerce & Finance, a company registered in Panama and Head office in Hong Kong, paid to a third party €5,879,000 in respect of research and development expenditure incurred and charged to Gizmondo (Europe) Limited by Mr C Freer & Mr S Eriksson. The amount paid by Asiatic Commerce & Finance is not considered repayable by Gizmondo (Europe) Limited and accordingly has been credited to the director's current account of Mr C Freer and Mr S Eriksson.

Asiatic Commerce & Finance is a shareholder with 400,000 shares in the ultimate parent company, Tiger Telematics Inc.

As disclosed in note 8 Peter Uf, Stefan Eriksson and Joe Marten are directors of a Company from which Indie Studios AB was acquired on 2 August 2004.

Additional transactions during the year were:

- Northern Lights Software Limited, a company registered in the United Kingdom, provided software development services to Gizmondo (Europe) Limited amounting to £2,400,000. Mr Carl Freer and Stefan Eriksson are on the Board of Directors of this company. In addition, Mr Carl Freer and Mr Stefan Eriksson each have 24% interest in the share capital of Northern Lights Software Limited. At 31 December 2004, the outstanding balance payable to Northern Lights Software Limited was £470,000. Mr Carl Freer repaid the full amount to an account held by Tiger Telematics Inc on 29 September 2005, pending the determination of a special committee of independent directors of the fairness of the transaction to the company, relying upon independent council and a fairness of opinion of the independent financial experts.
- Anneli Freer, the spouse of Mr Carl Freer, provided consultancy services amounting to £62,900 to Gizmondo (Europe) Limited. No balance was outstanding as payable on 31 December 2004. The full amount of the payments made to Anneli Freer was repaid by Mr Carl Freer on 28 September 2005.
- Accountancy support and consultancy services were provided by Nathan Maknight Chartered Accountants and Nathan Maknight Consultancy Limited amounting to £42,300 and £78,333 respectively. At 31 December 2004, the outstanding balance payable to Nathan Maknight Chartered Accountants and Nathan Maknight Consultancy Limited was £13,180 and £57,183 respectively. Mr Muhammad Ali Khan is a Partner in Nathan Maknight Chartered Accountants and a Director in Nathan Maknight Consultancy Limited. The consultancy fees charged by Nathan Maknight Consultancy Limited are in respect of services provided by Mr Muhammad Ali Khan as a director of Gizmondo Europe Limited
- In 2004, the Company paid £85,000 to Bankside Law for legal fees incurred on behalf of Mr. Freer, personally. The Company included this amount as additional compensation to Mr. Freer. Mr Carl Freer reimbursed the Company for these entire amounts on 28 September 2005.

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

23 Loss attributable to Gizmondo (Europe) Limited

Loss for the financial year dealt with in the accounts of Gizmondo (Europe) Limited was £46,646,357 (2003: £5,389,345). As provided by s230 of the Companies Act 1985, no profit and loss account is presented in respect of Gizmondo (Europe) Limited.

24 Post balance sheet events

In May 2005 a software development agreement was entered into by Gizmondo Europe Limited with the US developer known as Electronics Arts (EA), which was supported by a cash payment by Gizmondo to EA amounting to US\$5,800,000 (the Sterling equivalent being £3,099,118).

On 25 May 2005, the company also settled disputes arising due to fees billed in 2004 with Mother, 2 Heads and Saturday London Limited. The total settlement of these claims amounted to £462,206.

On 19 March 2005, the Gizmondo retail store in London's Regent Street was opened. The shop is leased for a period of 6 years at an annual rent of £175,000.

In May 2005, Gizmondo Europe Limited's parent company, Tiger Telematics Inc pledged 1,027,069 of its common stock to be held as security for two loans made in May 2005, by two separate entities who are shareholders of Tiger Telematics Inc, providing a total of £11 million in short term loans to Gizmondo Europe Limited. These loans are repayable in full by 30 November 2005, and are guaranteed by Tiger Telematics Inc and by Carl Freer and Stefan Eriksson personally.

Payments amounting to £2,060,000 have been made to developer Game Factory Publishing Limited in connection with a games development agreement dated 4 August 2005 for the development of 19 games for use on the Gizmondo handheld device.

On 19 August 2005, Ogilvy Group Sweden Limited commenced an action against Gizmondo Europe Limited in the Stockholm District Court to collect approximately US\$4.1 million plus interest allegedly owed to Ogilvy for marketing and advertising services provided to Gizmondo Europe Limited during 2003 and 2004. Gizmondo Europe Limited's relationship with Ogilvy was terminated on 30 June 2005. Tiger Telematics Inc, the company's parent company, has issued 400,000 shares of its common stock to Ogilvy as collateral for Gizmondo Europe Limited's obligations to Ogilvy. On 29 August 2005, an affiliate of Ogilvy, Ogilvy Public Relations Worldwide, Inc. commenced an arbitration proceeding in New York City against Gizmondo Europe Limited and its holding company, Tiger Telematics Inc, to collect approximately US\$305,000 plus interest allegedly owed to Ogilvy PR for public relations services under an agreement dated 30 June 2004. The agreement was terminated in December 2004. On 20 September 2005, Tiger Telematics Inc and Ogilvy PR settled this dispute for US\$125,000 to be paid by Tiger Telematics Inc.

GIZMONDO (EUROPE) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2004 (continued)

24 Post balance sheet events (continued)

On 2 September 2005, MTV Networks Europe demanded payment of €1,527,500 previously invoiced to Gizmondo Europe Limited under an agreement dated 31 March 2005 with Gizmondo Europe Limited and guaranteed by Tiger Telematics Inc. The agreement provides for sponsorship fees of €2,600,000 plus VAT and airtime advertising fees of €2,600,000 plus VAT. MTV Networks Europe has terminated the agreement effective 9 September 2005, reserving its right to bring legal proceedings for payment of the outstanding invoices and damages for lost profits resulting from termination of this agreement, which will be settled by Tiger Telematics Inc.

On 18 January 2005 the company entered into a lease agreement with Autodesk Limited for the lease of part of the first floor, 1 Meadow Gate Avenue, Farnborough Business Park. The lease is for a period of 9 years 4 months, at rent of £138,993 per annum.

On 16 March 2005 the company acquired the remaining 25% of the issued ordinary share capital of Isis Models Limited to take its holding to 100%. The purchase consideration for this acquisition was satisfied by Tiger Telematics Inc, the ultimate parent company, issuing 13,333 shares of its restricted common stock valued at \$6.96 per share. The shares were issued on 16 March 2005.

In October 2004, Gizmondo Europe Ltd, (Gizmondo), a subsidiary of the Company signed a contract with SCi Entertainment Group Plc (SCi), a leading games publisher, under which Gizmondo has licensed the right to develop and publish twelve SCi products for the Gizmondo platform. The agreement covers both currently released titles as well as those in the pipeline, and establishes the structure for continuing collaboration between the two companies. The agreement has Gizmondo paying a minimum guarantee of approximately \$1,250,000 allocated by and among 12 products. The guarantee, which has been paid, is non-refundable but fully recoverable against earned royalties of each product. An earned royalty of 5% of net receipts is to be paid on each product.