

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

TIGER TELEMATICS INC
Form 10-K
September 26, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

Commission file number 001-15977

Tiger Telematics, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of other jurisdiction of
incorporation or organization)

13-4051167
(I.R.S. Employee
Identification No.)

550 Water Street, Suite 937, Jacksonville, FL 32202
(Address or principal executive offices) (Zip code)

(904) 358-1512
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.001 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [] No [X]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined by Exchange Act Rule 12b-2). Yes [X] No []

Aggregate market value of common stock held by non-affiliates of the registrant as of August 23, 2005 was \$1,000,000,000.

Number of shares of common stock outstanding as of August 23, 2005 was 61,068,312.

DOCUMENTS INCORPORATED BY REFERENCE

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

None

TIGER TELEMATICS, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

Table of Contents

	Page
PART I.....	1
ITEM 1. BUSINESS.....	1
General.....	1
Growth Strategy.....	3
Products and Services.....	4
Relationship with Major Customers.....	5
Suppliers.....	5
Sales & Marketing.....	6
Competition.....	6
Intellectual Property.....	6
Employees.....	7
ITEM 2. PROPERTIES.....	7
ITEM 3. LEGAL PROCEEDINGS.....	7
ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.....	9
PART II.....	9
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.....	9
Market Price and Dividend Information.....	9
ITEM 6. SELECTED FINANCIAL DATA.....	10
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	11
General Overview.....	12
Results of Operations.....	12
Liquidity and Capital Resources.....	15
Critical Accounting Policies.....	16
Recently Issued Accounting Standards.....	17
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET	

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

RISK.....18

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA.....18

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON
ACCOUNTING AND FINANCIAL DISCLOSURE.....18

ITEM 9A. CONTROLS AND PROCEDURES.....18

PART III.....20

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.....20

Code of Ethics.....22

Audit Committee Financial Expert.....22

ITEM 11. EXECUTIVE COMPENSATION.....22

Summary Compensation.....22

Compensation of Directors.....23

2001 Stock Option Plan.....23

2005 Stock Incentive Plan.....26

Employment Contracts and Termination and Change-In-Control
Arrangements.....28

Compensation Committee Interlocks and Insider Participation.....29

Shareholder Return Performance.....29

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND
MANAGEMENT.....29

Equity Compensation Plan Information.....30

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.....31

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.....32

Audit Fees.....32

Audit Related Services.....33

Tax Fees.....33

Additional Fees.....33

ii

PART IV.....33

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.....33

SIGNATURES.....37

iii

PART I

ITEM 1. BUSINESS

General

Tiger Telematics, Inc. ("Tiger Telematics" or the "Company"), a Delaware corporation, is the parent company of several subsidiaries, including Gizmondo Europe Ltd., the developer of the multi-entertainment wireless handheld gaming device called the Gizmondo. The Company historically has been in the retail flooring business and a designer, developer and marketer of mobile telematics systems and services that combine global positioning and voice recognition technology to locate and track vehicles and people down to the street level in countries throughout the world. Telematics is an emerging industry that uses a combination of computer, wireless and satellite technology largely to provide communications between a central source and fleets of vehicles. These projects have been dropped in favor of development of the Gizmondo.

In 2003, the Company began developing a new multi-entertainment wireless handheld gaming device referred to as Gizmondo. While the Company previously developed a variety of commercial telematics products, since early 2005 the Company's primary business strategy has been to develop the Gizmondo. The Company initially launched a limited production version of the Gizmondo in the UK on October 29, 2004, and launched the full-scale production of Gizmondo in the UK in March 2005, and plans a full-scale introduction to the US market in the fourth quarter of 2005. The Gizmondo is powered by a Microsoft Windows CE.net platform, has a 2.8-inch TFT color screen with a Samsung ARM9 400Mhz processor and incorporates the GoForce 3D 4500 NVIDIA graphics accelerator. Gizmondo provides cutting-edge gaming, multimedia messaging, an MP3 music player, Mpeg4 movie playing capability, a digital camera and a GPRS network link to allow wide-area network gaming. Additionally, Gizmondo contains a GPS chip for location based services, is equipped with Bluetooth for use in multi-player gaming and accepts MMC card accessories. The Gizmondo represents the Company's primary business segment.

On June 6, 2002, the Company changed its name from Floor Decor, Inc. to Tiger Telematics, Inc. after deciding to exit the historical flooring business and focus exclusively on mobile telematics systems and services, with the major focus on Gizmondo.

The Company is the parent company of the following subsidiaries: (i) Media Flooring, Inc., (ii) Gizmondo Europe Ltd. (formerly Tiger Telematics Europe Ltd.), (iii) Tiger Telematics USA, Inc., (iv) ISIS Models Ltd. (75% owned), (v) Indie Studios, (vi) Warthog Plc (including four wholly owned subsidiaries of Warthog Plc) and (vii) Globicom, Inc. (84% owned, which was acquired in 2005). Media Flooring, Inc. (now dormant), operated a flooring products sales and service business through a wholly owned subsidiary Floor Decor LLC. This business represented all of the business operations of the Company during early 2002. In June 2002, the Company discontinued the flooring segment operation and

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

in August 2002 sold the assets of Floor Decor LLC, and the use of the name Floor Decor LLC to an unrelated third party. The operating results for this discontinued segment are classified as operating results of discontinued operations in 2002.

On February 4, 2002, the Company acquired Eagle Eye Scandinavia Distribution, Ltd, an early stage UK company that distributed telematics products and

1

services. The Company subsequently changed the name from Eagle Eye Scandinavia Distribution, Ltd to Tiger Telematics Ltd. Tiger Telematics Ltd. was the exclusive distributor in Scandinavia and Yugoslavia of the Eagle Eye VCG2, a vehicle communications gateway that combined telecommunications and Global Positioning Systems (GPS) technologies to provide security and communications solutions for fleet vehicle management. This telematics product was manufactured by an unrelated UK based company Eagle Eye Telematics Plc.

On December 17, 2002, the Company sold Tiger Telematics, Ltd. to a Swedish company, primarily to reduce debt and improve the Company's working capital position.

In 2002, the Company organized a new subsidiary, Tiger Telematics Europe, Ltd. to provide a variety of telematics products and services to customers in England and Western Europe. Tiger Telematics Europe, Ltd. focused on developing new telematics products and child-tracking devices and on marketing telematics products primarily to large fleet suppliers such as rental car companies. In 2003, Tiger Telematics Europe, Ltd. began focusing primarily on developing the Gizmondo. In early 2005, the Company changed the name of Tiger Telematics Ltd. to Gizmondo Europe Ltd. to match the name of the Company's primary product, the Gizmondo.

In June 2002, the Company formed a wholly owned subsidiary Tiger Telematics USA, Inc. that was created to acquire the assets of a US telematics developer of consumer automotive devices. This subsidiary was ultimately unable to successfully launch the Port-IT products associated with this acquisition and this subsidiary is now dormant.

In May 2004, Gizmondo Europe, Ltd. acquired a seventy-five percent (75%) interest in ISIS Models Ltd., for 40,000 shares of the Company's restricted common stock issued in the third quarter of 2004, valued at \$92,800. ISIS was acquired to provide marketing support and arrangements for Gizmondo. The Company also assumed liabilities in excess of the value of tangible assets acquired of \$223,099. ISIS is the successor company to ISIS Models Management Limited, a company that has previously ceased operations.

On August 2, 2004, Gizmondo Europe completed the acquisition of 100% of the stock of Indie Studios pursuant to a Stock Purchase Agreement dated May 20, 2004 for one million shares of the Company's restricted common stock. Indie was acquired to enhance the Company's game development operations. There are also 600,000 contingent shares reserved for future issuance based on the completion of two games in progress as of the acquisition date. The games were completed in January 2005 and the contingent shares were issued. The value of the contingent shares, approximately \$4,560,000, was charged to Research & Development expense in the first quarter of 2005. The Company assumed the excess of liabilities over the value of tangible assets acquired of approximately \$61,400, paid cash of approximately \$850,000 and issued stock valued at \$2,740,000. The excess of purchase price over the value of the tangible assets acquired (\$3,651,713), was assigned to Goodwill.

In August 2004, the Company filed IPR patent applications for Gizmondo in the

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

USA and in all other appropriate countries where the Company plans to sell the Gizmondo.

The Company purchased the assets and intellectual properties of the operating subsidiaries of Warthog Plc on November 3, 2004, in a move to further expand the Company's games development agenda and management infrastructure. The Company paid \$1,114,000 in cash and issued 497,866 shares of its restricted common stock valued at \$1,618,000. Within two days of closing, the Company injected an additional approximately \$1.3 million into the Warthog subsidiaries for working capital purposes.

2

In September 2005, the Company acquired an eighty-four percent (84%) interest in Globicom, Inc. for 116,859 shares of the Company's restricted common stock issued in the third quarter of 2005 and the payment of \$200,000. Globicom was acquired to provide wireless network support for Gizmondo.

The Company had difficult years in 2004, 2003 and 2002 due to extremely challenging industry conditions and high development costs associated with developing the Gizmondo. The Company has earned limited revenues to date and has incurred net losses of approximately \$99 million, \$8 million and \$11.1 million for the years ended December 31, 2004, 2003 and 2002, respectively. Additionally, the Company will report an operating loss in the first six months of 2005 of more than \$210 million, principally due to development costs for the Gizmondo and non-cash expenses associated with shares of restricted common stock issued for services.

Industry Overview

Gaming industry information

UK Games compared with other industries

Games market size	(pound)1,081m
Cinema market size	(pound) 755m
Video Rental market size	(pound) 466m
Music	(pound)2,016m

UK hardware data 2002

UK installed base of Playstation 2	3.7m
UK installed base of Playstation	6.8m

Market size comparison 2002

UK	Euro 1,719m
Germany	Euro 1,196m
France	Euro 990m
Italy	Euro 438m
Spain/Portugal	Euro 415m

Source: ELSPA

Estimated world market value for the games and entertainment/reference software is valued in excess of \$28 billion annually.

Growth Strategy

While the Company previously developed a variety of commercial telematics products designed for fleet management, anti-theft and security applications, the Company's primary business strategy is to develop the Gizmondo. During 2005,

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

the Company launched Gizmondo first in England and then in the European market.

3

The Company anticipates launching Gizmondo in the United States during the fourth quarter of 2005. The initial Gizmondo units were produced and manufactured by a group consisting of Plextek, an independent electrical design and consulting firm based in the UK, Intrinsic Software International, a Microsoft Gold Level Windows Embedded Partner and Xilinx, a software programmer specializing in programmable logic. The initial Gizmondo units were displayed in January 2004 at the 2004 Consumer Electronics Show in Las Vegas. Going forward, the Company will utilize Flextronics as the new volume manufacturer of Gizmondo units. By utilizing Flextronics' high-volume manufacturing capabilities and global reach, the Company should be able to bring more units to market and assure its ability to fill the growing number of sales orders. In addition to revenue from the sale of Gizmondo units the Company anticipates revenue from related sales of hardware, software, music and video downloads, games, MNVO and Smart Ads.

To accomplish the difficult challenge of converting the Gizmondo idea into an actual product, the Company, since the third quarter of 2003, has entered into a number of agreements, joint ventures and strategic partnerships with recognized design, engineering, software, manufacturing, marketing, public relations, and distribution companies, including Plextek, an independent UK electrical design and consulting firm; Microsoft, the maker of the Windows Net CE software operating system used by Gizmondo; Synergenix Interactive AB, a game developer; Intrinsic Software International, a Microsoft Gold Level Windows Embedded Partner; Xilinx, a software programmer specializing in programmable logic; Fathammer Alliance, a supplier of advanced 3D graphics and game technologies for mobile platforms; MINICK a premium messaging network in Europe; Samsung, supplier of Gizmondo's Mobile Applications Processor; Micronas, supplier of Gizmondo's single chip MIDI synthesizer; Flextronics, an electronics manufacturer; CATIC, a State-Run Chinese conglomerate that provides sales, distribution, technical support, and numerous other joint ventures for all Chinese regions; Toys R Us, an authorized UK retailer of Gizmondo; Ogilvy Public Relations Worldwide, the Company's Agency of Record; Renaissance Corp, an electronics marketer and distributor; OD2, a European music distributor; Redline Marketing and Tartan Sales, distributors of Gizmondo units throughout the US, Canada, and Mexico; M-Systems, supplier of the mDiskOnChip G3 memory chip; Daniels & Associates, the Company's Investment Banker; Playcom Software Vertriebs GmbH, a German games wholesaler and distributor; John Lewis Department Stores, an authorized UK retailer of Gizmondo; NVIDIA Corporation, supplier of Gizmondo's GoForce 3D 4500 3D Wireless media processor; Indigo Pearl Ltd, a gaming public relations agency; SCi Entertainment Group, a games publisher; Ditan Corporation, a retail distribution provider; Mother, an advertising agency; United Electronics SL, an electronics distributor; Microsoft Game Studios, a gaming company; and Zi Corporation, supplier of the advanced test input technology featured on Gizmondo.

In addition, to facilitate the launch of Gizmondo, the Company acquired game developers Indie Studios and Warthog Games, Ltd.

In August 2005, Gizmondo Europe and U.S. game developer Electronic Arts entered into a Software Development Contract for the development of two games, FIFA and FXXFSX. In connection with this contract, Gizmondo Europe paid Electronic Arts \$5.9 million.

Products and Services

Since 2003, the Company has focused on developing its primary product, Gizmondo, a new multi-entertainment wireless handheld gaming device targeted at the gaming

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

industry.

Gizmondo is a new multi-entertainment wireless handheld gaming device that will compete with similar handheld gaming products offered by Nintendo, Nokia,

4

Tapwave and Sony. Gizmondo is powered by a Microsoft Windows CE.net platform, has a 2.8-inch TFT color screen with a Samsung ARM9 400Mhz processor and incorporates the GoForce 3D 4500 NVIDIA graphics accelerator. Gizmondo provides cutting-edge gaming, multimedia messaging, an MP3 music player, Mpeg 4 movie playing capability, a digital camera and a GPRS network link to allow wide-area network gaming. Technical Specifications: 400 MHz Processor, GSM Tri-Band, GPRS Class 10, SiRF GPS, TFT Screen - 320 x 240 Pixels, WAP 2.0, MMS Send and Receive, MP3 Playback, Polyphonic MIDI, SMS / EMS, MPEG 4 Playback, JPEG Camera, SD Flash Card Reader, Mini-USB Client, Bluetooth 2 (Multiplayer Gaming), 3D Games Capability, GPS Tracking Application, GPS Mapping Application, Removable SIM Card, Removable Battery, Polyphonic Ringtones, Stereo Headset Socket for MP3 and Games, Stop game play when battery near empty, Windows Media Player 9, Flight Mode, Speaker, Vibrate Mode. Gizmondo is approximately 5.5 inches wide, 3.5 inches high, over an inch thick, and weighs 5.5 ounces (155 grams). The outer shell is made of a durable and stain-resistant slate-colored composite material with a rubbery feel. The rectangular screen, measuring 2.25 by 1.75 inches (a 2.8" TFT LCD display), sits right in the center of the console.

Aside from being a gaming device, the Gizmondo also performs the following functions: movie player, allowing users to view full-feature videos in MPEG 4 format using the unit's built-in Windows Media Player 9 and SD Card slot; MP3 player permitting users to download and listen to audio files stored in either MP3, MIDI & SP-MIDI, WMA, or WAV formats; SMS & MMS messaging facility that lets users easily send text, image, and music files; and high-resolution digital camera.

Gizmondo also is equipped with a unique global positioning system; it's wired for GSM tri-band networks so it can be used on five continents; it supports Bluetooth wireless technology; it has USB connection capabilities; and with its removable memory cards, it provides users with unlimited storage. In addition to having more features and functions than any competing units, Gizmondo is the only device among this new generation of completely mobile gaming consoles that uses a version of Microsoft Windows (CE.NET) as its operating system.

Relationship with Major Customers

The Gizmondo is a developmental stage product that has only recently been marketed and sold to the general public in a limited fashion. Consequently, the Company has no current large customers but has entered into various distribution and representation agreements as detailed in the Growth Strategy section above.

Suppliers

The Company developed the Gizmondo internally but the manufacture is completed by outside parties. As discussed in the Growth Strategy section above, Flextronics is the Company's volume manufacturer for Gizmondo units. Although the Company believes that multiple sources of supply exist for nearly all of the products and components purchased from outside suppliers, the Company generally maintains only one supplier for each core product purchased for the manufacture of Gizmondo units. Additionally, the Company relies on Flextronics as the sole manufacturer of Gizmondo units. Therefore interruptions in supply or manufacture or price changes in the items purchased by the Company could have a material adverse effect on the Company's operations.

Sales & Marketing

The Company's sales and marketing approach leverages management's extensive experience in both of its major market segments of commercial and retail buyers and the use of other distributors.

The Company uses a combination of the following to drive commercial sales in the Gizmondo segment:

- o Direct sales via internal commissioned sales force
- o Large representative agencies that specialize in retail sales and customer base

During 2005, the Company launched the Gizmondo in different geographic markets starting in the UK initially, then plans for a launch in Continental Europe and then in the US.

Competition

Competition in gaming mobile handheld products includes perennial leader Nintendo with its Gameboy advance, Nokia with its N-Gage and new product offerings from Tapwave and Sony.

The handheld gaming market in the last ten years has been led by one dominant player - 'Nintendo Gameboy'. Since the introduction of Nokia N-Gage, the handheld gaming market is beginning to evolve with the introduction of various multi-functional devices.

Within the handheld gaming market category there are two principal competitors who together control substantially all of the handheld gaming market:

- o Sony Playstation Portable - A handheld gaming console with a 4.5" screen that also has the ability to play video from Sony UMD discs. Functionality is limited, and 'add-on' components will be required in order to extend functionality.
- o Nintendo DS - Nintendo DS is the next generation gaming console within the Gameboy family. Targeted at the under 16 age category, the functionality is limited to gaming functions only. The unique selling point of the Nintendo DS is its dual screen.

Neither Sony nor Nintendo include GPS, SMS, email or a camera function.

Intellectual Property

The Company markets its products under the name Tiger Telematics and Gizmondo. The Company has devoted substantial time, effort and expense to the development of brand name recognition and goodwill and has not received any notice that its use of such marks infringes upon the rights of others, and is not aware of any activities which would appear to constitute infringement of any of its marks. The Company has filed to trademark its name and logo and has patents pending in the United States (since 2004) and abroad for the Gizmondo. The Company owns all Gizmondo intellectual property rights.

Employees

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

As of August 1, 2005, the Company had approximately 131 employees and contract agents, including 43 administrative, 15 sales and marketing, 70 game developers and 3 persons responsible for warehouse and shipping activities. In many instances, the Company utilizes agencies that actually employ the persons or retain employees as consultants on an as needed basis. The Company has not experienced any work stoppages and the Company's employees are not represented by a union. The Company considers its relations with its employees to be good.

ITEM 2. PROPERTIES

The Company currently leases three facilities in the United States and three facilities in the United Kingdom. The Company opened a facility in Los Angeles, California in the third quarter of 2005. The following table sets forth certain information concerning the facilities of the Company.

LOCATION	USE	SQUARE FEET	AVERAGE ANNUALIZED LEASE COST	RENEWAL EXPIRATION OPTION
-----	---	----	-----	-----
Jacksonville, Florida	Executive Office	600	\$24,000	August 2005
Los Angeles, California	Executive Office	2,500	\$122,040	November 2005
Austin, Texas	Gizmondo Studios Office	9,000	\$164,118	April 2009
Farnborough, UK	Executive Office	5,000	\$404,080	October 2005
Farnborough, UK	Operations Office	15,000	\$267,668	March 2007
Manchester, UK	Gizmondo Studios Office	5,000	\$318,664	March 2010
London, UK	Retail Store	2,000	\$334,250	March 2011

The Company believes that its existing facilities are adequate to meet its current needs and those additional facilities can be leased to meet future needs.

ITEM 3. LEGAL PROCEEDINGS

A shareholder of the Company borrowed some of the funds advanced to the Company (with funds going to Tiger Telematics, Ltd. (Tiger Ltd), a former subsidiary of the Company) from a private investment bank, London International Mercantile Bank (LIM), based in London. The shareholder failed to repay the note when due and LIM made demand on Tiger Ltd to repay the funds. The Company maintained that it was not responsible for that obligation and responded to the demand accordingly. Tiger Ltd entered into a settlement agreement the Court approved as a Tomblin Order where the demand note payable to the shareholder was forgiven in exchange for the Company entering into an installment note for approximately \$475,000, to be paid over time directly to LIM. The shareholder remained contingently obligated for the sum owed plus interest in event that the payment was not made timely by Tiger Ltd. The Company issued a limited guaranty for the obligation to LIM.

The settlement agreement called for monthly payments at a variable interest rate. Tiger Ltd repaid approximately \$80,000 prior to the sale of the business on December 17, 2002. Following the sale of Tiger Ltd, the Company was apprised

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

that Tiger Ltd was placed in liquidation insolvency under the laws of the United Kingdom for failure to make the payments required under this arrangement.

LIM made demand on the Company for approximately \$450,000 under the guarantee but has made no attempt to collect on the guaranty as it pursues its direct remedies against the original borrower of the funds. LIM also holds 140,000 shares of the Company's common stock and certain real estate provided by the original borrower as collateral. The Company has reserved an amount that it believes will cover any obligation that may arise. A shareholder has advised the Company that the obligation has now been retired.

On April 26, 2002, the Company entered into a Lease Agreement with Christian and Timbers UK Ltd (C&T) for office premises for its subsidiary for a term of five years. The Company paid the first year's rent by issuing 20,000 shares of common stock. The subsidiary subsequently defaulted on the lease arrangement. In the summer of 2003, C&T sued the Company pursuant to the Company's guarantee. In October 2003, the Company entered into a judgment stipulation for \$300,000 to settle all obligations under the guarantee. The Company has issued shares of common stock to C&T that it believes will satisfy the amount of the outstanding judgment.

In March 2004, Jordan Grand Prix Limited, filed suit against the Company in the High Court of Justice, Queen's Bench Division (Central Office), London, UK, alleging violation of a sponsorship agreement and dated letter agreement entered into in July 2003. Jordan sued the Company for \$3 million and alleged that the Company defaulted on a payment of \$500,000, due on January 1, 2004, under the sponsorship agreement, and a payment for \$250,000, due on the same date under the letter agreement. On February 26, 2004, Jordan terminated both agreements. In order to avoid summary judgment in favor of the plaintiff, the Company escrowed 70,000 shares of its common stock with the court. Prior to trial, the Company was required to substitute \$1.5 million for the escrowed shares. In June 2005, the Company placed an additional 60,000 shares of its restricted common stock in escrow. The Company settled the case in July 2005 in an out of court mediation by the payment of \$1,500,000 in cash and the issuance of 30,000 shares of the Company's restricted common stock valued at \$208,800.

In January 2005, the Company filed a lawsuit in the Circuit Court in and for the County of Duval, Florida against D. Weckstein and Company and Donald E. Weckstein, a former investment advisor to the Company, for breach of the Company's agreement with the advisor. In a mediation process completed in April 2005, the Company issued 60,000 additional shares of restricted common stock valued at \$310,800 in full settlement of the matter and was released from all past and future obligations under the Agreement. This settlement was recorded in 2004.

On March 22, 2005, the Board of Regents of the University of Texas System filed an action against the Company and one of its subsidiaries, Gizmondo Europe, Ltd. in the United States District Court for the Western District of Texas, Austin Division, alleging that predictive text software used in the Company's Gizmondo gaming device infringes a patent held by the Board of Regents. The Company believes that its software does not infringe the Board of Regents' patent. The Company licenses this software from another company, which under the license agreement has indemnified the Company for infringement claims. The Company and Gizmondo Europe, Ltd. were dismissed from this action in July 2005.

Early in the third quarter of 2005, HandHeld Games, Inc. filed suit against the Company for damages and costs in excess of \$200,000 as a result of a dispute

between the Company and HandHeld Games over a game development contract for the

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

game "Chicane". The suit is in the discovery stages, but the Company believes it has meritorious defenses and does not expect the outcome of the matter to have a material effect on the financial condition of the Company.

In August 2005 the Company filed an action against Integra SP Holdings Limited and Integra SP Nominee Limited (collectively "Integra") seeking a declaratory judgment that the Company had properly terminated a stock purchase agreement between the Company and Integra. In November 2004 the Company entered into an agreement with Integra to acquire all of the outstanding share capital of Integra SP Holdings Limited for Company common stock with a market value of approximately \$35 million based on \$14.06 per share. The agreement, which was amended in January 2005, required the satisfaction of numerous conditions in order to close. Several of those conditions were not satisfied and on July 7, 2005, the Company notified Integra that it had elected to terminate the agreement. In connection with entering into the agreement the Company had also loaned Integra \$1,541,280 in 2005 under a debenture providing for loans by the Company of up to \$1,926,600 secured by Integra's intellectual property rights. Termination of the stock purchase agreement entitles the Company to demand payment on the debenture with 60 days notice, which the Company did on July 7, 2005. The action was filed in Florida State Court and has been removed by Integra to the U. S. District Court, Middle District of Florida, Jacksonville Division.

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

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders of the Company during the fourth quarter of the period covered by this report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Market Price and Dividend Information

The Company's Common Stock trades on the other over the counter market under the symbol "TGTL". The other over the counter market, sometimes referred to as pink sheets, is a quotation system for equity securities not listed on the national stock exchanges or the NASDAQ Stock Market, whose quotations reflect

inter-dealer prices, without retail mark-up, mark-down, or commission, and may not necessarily represent actual transactions. The Company's Common Stock began trading on the OTC Bulletin Board on May 22, 2001, as a result of a reverse merger with a public shell company. It was delisted from the Bulletin Board in

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

May 2003.

As of August 23, 2005, the Company had issued and outstanding 61,068,312 shares of common stock, held by approximately 2,750 shareholders of record.

Following are the high and low closing stock prices in 2005, 2004, 2003 and 2002:

	Fiscal Year Ended December 31,							
	2005		2004		2003		2002	
	High	Low	High	Low	High	Low	High	Low
1st Qtr.	\$ 32.50	\$ 18.80	\$ 14.75	\$ 4.00	\$ 2.13	\$.75	\$ 36.00	\$ 12.75
2nd Qtr.	\$ 20.95	\$ 11.50	\$ 14.75	\$ 9.00	\$ 1.00	\$.70	\$ 13.50	\$ 6.00
3rd Qtr.	\$ 20.00*	\$ 14.60*	\$ 14.70	\$ 6.63	\$ 2.00	\$.53	\$ 7.00	\$ 1.13
4th Qtr.			\$ 26.30	\$ 11.10	\$ 2.50	\$ 1.35	\$ 3.63	\$ 1.25

*As of August 9, 2005

All share prices have been restated to reflect a 25 to 1 reverse stock split effected in July 2004.

The Company has not paid cash dividends and does not intend for the foreseeable future to declare or pay any cash dividends on its Common Stock and intends to retain earnings, if any, for the future operation and planned expansion of the Company's business. Any determination to declare or pay dividends will be at the discretion of the Company's board of directors and will depend upon the Company's future earnings, results of operations, financial condition, capital requirements, considerations imposed by applicable law, and other factors deemed relevant by the board of directors.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data as of and for the year ended December 31, 2004, 2003 and 2002, have been derived from the audited consolidated financial statements of the Company. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Item 7 of this report) and the audited consolidated financial statements and related notes thereto included elsewhere herein.

Year ended December 31, 2004, 2003 and 2002

	2004	2003	2002	2001
	-----	-----	-----	-----
OPERATING DATA:				
(IN THOUSANDS, EXCEPT SHARE				
AND PER SHARE AMOUNTS)				
Net Sales	\$ 726	\$ 8	\$ 284	\$ 0
Cost of goods sold	410	14	385	0

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

	2004	December 31, 2003	2002	2001
Gross profit (loss)	316	(6)	(101)	0
General and administrative	83,678	5,582	5,172	283
Selling and marketing	13,814	683	597	0
	10			
Operating income (loss)	(97,176)	(6,271)	(5,870)	(283)
Other income (expenses)	(2,062)	(1,496)	(4,826)	0
Interest expense, net	(53)	(45)	(38)	(145)
Net loss from continuing operations	(99,291)	(7,812)	(10,734)	(428)
Net loss from discontinued operations	(0)	(0)	(353)	(871)
Net Loss	(99,291)	(7,812)	(11,087)	(1,299)
Basic and diluted net loss per common share	\$ (5.02)	\$ (1.66)	\$ (3.93)	\$ (0.60)
Weighted average shares of outstanding	19,785,471	4,710,208	2,822,876	2,173,099

BALANCE SHEET DATA:

(IN THOUSANDS)

Working capital deficiency	\$ (22,789)	\$ (8,788)	\$ (5,398)
Total assets	17,248	436	647
Total liabilities	33,463	9,004	5,952
Stockholders' deficiency	(16,215)	(8,567)	(5,305)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 23E of the Securities Act of 1934, as amended. These statements relate to future events or future financial performance. Any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or "continue," or the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Investors are cautioned that these forward-looking statements reflect numerous assumptions and involve risks and uncertainties that may affect the Company's

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

business and prospects and cause actual results to differ materially from these forward-looking statements. Among the factors that could cause actual results to differ are the Company's operating history; competition; low barriers to entry; reliance on strategic relationships; rapid technological changes; inability to complete transactions on favorable terms; consumer demand for video game hardware and software; the timing of the introduction of new generation competitive hardware systems; pricing changes by key vendors for hardware and software and the timing of any such changes, and the adequacy of supplies of new software products.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Company, nor any other person or entity, assumes responsibility for the accuracy

11

and completeness of the forward-looking statements. The Company is under no obligation to update any of the forward-looking statements after the filing of this Form 10-K to conform such statements to actual results or to changes in the Company's expectations.

The following discussion should be read in conjunction with the Company's financial statements, related notes and the other financial information appearing elsewhere in this Form 10-K.

General Overview

During the first half of 2002, the Company's principal business was the retail sale of flooring products, including carpet, area rugs, wood and laminates, at discount prices, to commercial and retail customers. The Company announced the discontinuation of the flooring business on June 6, 2002, and sold the related assets on August 9, 2002. The flooring segment is treated as a discontinued operation in the financial statements.

In early 2003, the Company began developing a new multi-entertainment wireless handheld gaming device that is now referred to as Gizmondo. Since then the Company's primary business strategy has been to develop and market Gizmondo. The Company initially launched a limited production version of the Gizmondo in the UK on March 19, 2005, and expects to launch the full-scale production of Gizmondo in the fourth quarter of 2005. The Gizmondo is powered by a Microsoft Windows CE.net platform, has a 2.8-inch TFT color screen and a Samsung ARM9 400Mhz processor and incorporates the GoForce 3D 4500 NVIDIA graphics accelerator. Gizmondo provides cutting-edge gaming, multimedia messaging, an MP3 music player, Mpeg4 movie playing capability, a digital camera and a GPRS network link to allow wide-area network gaming. Additionally, Gizmondo contains a GPS chip for location based services, is equipped with Bluetooth for use in multi-player gaming and accepts MMC card accessories.

Results of Operations

Twelve months-ended December 31, 2003 compared to the twelve months ended December 31, 2004:

Net Sales: Sales for 2004 were \$726,000 as compared to sales of \$8,000 for 2003. The sales increase relates to activities of acquired entities. Sales are insignificant in all periods to date as the company is still developing its handheld wireless multi-entertainment device Gizmondo and has not begun sales efforts.

Gross Profit (Loss): Gross profit for 2004 was \$316,000 compared to a gross loss

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

of (\$5,000) for 2003. Gross profits in 2004 were earned from operations of acquired subsidiaries while the impact of recording returns from trials created the negative gross margin in 2003.

Selling Expenses: Selling expenses for 2004 were \$13,814,000 for 2004, compared to \$684,000 for 2003, an increase of over \$13 million. The increase is directly related to increased marketing efforts for the new Gizmondo product as it nears its release in the fourth quarter of 2005. Sales promotion expense exceeded \$9,500,000 in 2004 and direct advertising was more than \$2,100,000. In 2003 the Company was focused on selling to rental car concerns and developing new products such as the Gizmondo.

12

General and Administrative Expenses: General and administrative expenses for 2004 were \$83,678,000 as compared to \$5,582,000 in 2003, an increase of over \$78,000,000. This increase can be attributed to highly elevated development activities as the Gizmondo approaches its release date. Personnel costs increased to over \$20,000,000 (up from approximately \$1,200,000 in 2003); consulting and other professional fees increased by \$33,000,000 from 2003 amounts to over \$34,000,000 in 2004; and direct R&D costs increased to over \$27,000,000 from \$3,000,000 in 2003. Expenses paid with common stock (non-cash) in 2004, included in the above amounts, increased to approximately \$34,300,000 from approximately \$300,000 in 2003. All of these specifically designated development costs were expensed as incurred and were not capitalized for financial reporting purposes.

Other Expenses: Other expenses for 2004 were \$2,115,000 as compared to \$1,542,000 in 2003. Interest expense was \$53,000 for 2004 (\$45,000 for 2003) as auto loan balances increased in the last two months of 2004. A loss related to settlement of lawsuits was \$2,019,600 in 2004 with no comparable amount in 2003. Impairment of goodwill of \$56,000 was recorded in 2004, none in 2003. Loss on debt extinguishment of \$1,544,000 was recorded in 2003 while \$0 was recorded in 2004.

Net Loss: The Company reported an operating loss for 2004 of \$99,291,000 compared to a loss in 2003 of \$7,812,000. Most of the loss for both years consists of expenses incurred in developing the Gizmondo product line as explained above. The UK subsidiary will incur significant costs in the development of its new products and in marketing them. Management anticipates that future net losses per quarter will be considerable higher than recent quarters as the Company increases the expenditures in product development and marketing for Gizmondo.

Twelve months-ended December 31, 2002 compared to the twelve months ended December 31, 2003:

Net Sales: Sales for 2002 were \$284,000 and were from the entity that was sold on December 17, 2002 as compared to sales of \$8,000 for 2003. This decrease in sales is principally due to not having unit sales from the sold entity of Tiger Telematics Ltd. (sold in December 2002) that reported sales in the comparable period of 2002. With Gizmondo Europe Ltd., the Company was focused in 2003 on building its next generation of product with enhanced features and in developing accounts and doing trials in the rental car business areas. The Company was focused from the third quarter 2003 onward on primarily developing its handheld wireless multi-entertainment device named Gizmondo.

Gross Loss: Similarly, gross losses were (\$101,000) for 2002 and (\$5,000) for 2003. The 2003 results reflect the change to a development company. The impact of recording returns from trials created the negative gross margin in 2003. The lower loss recorded was the result of not having the Tiger Telematics Ltd.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

numbers in the 2003 results. The Company made an initial investment in a new child tracker product that was abandoned later in 2003 when the focus switched to a gaming handheld entertainment device now named Gizmondo.

Selling Expenses: Selling expenses for 2002 were \$597,000. For 2003, expenses were \$684,000 due to marketing of the new Gizmondo product to be released later. Much of the increase can be attributed to the transformation of the Company into a development concern with a focus in early 2003 on selling to rental car concerns and developing new products such as the Gizmondo. Most of this actual cost related to the establishment of potential orders for rental car telematics products and a UK based motorbike company that produced motorbikes in China. Both of the projects have since been dropped from the Company's plans for the future. The Company also made an initial investment in a new child tracker product that was abandoned later in 2003 when the focus switched to gaming handheld entertainment device.

13

General and Administrative Expenses: General and administrative expenses for 2003 were \$5,582,000 as compared to \$5,172,000 in 2002 or down over \$400,000. This decrease came from the lower costs with the divestiture of Tiger Telematics Ltd. in December 2002 and the associated staff reductions from the sale. In order to further reduce expenditures the Company downsized and relocated its corporate office in late 2002 and continued to operate at a reduced cost rate in 2003 as compared to the same time period in 2002. These staff reductions reduced costs and allowed the Company to sustain operations but it delayed certain filings with regulatory bodies and made the Company's control system extremely reliant on fewer persons than would normally be the case. Expenditures were made to configure the Telematics products to obtain the coveted Thatcham Q class rating for the product. This rating may allow insurance companies to provide a discount in costs to users of the Company's telematics devices. Expenditures have been made in developing several new products including Child Tracker devices (since terminated) and the Gizmondo gaming handheld devices. All of these specifically designated development expenses in 2003 were expensed as incurred and were not capitalized for financial reporting purposes. The Company anticipates an increase in its general and administrative expenses in future periods as part of its product development strategy.

Other Expenses: Other expenses for 2003 were \$1,542,000 as compared to \$4,864,000 when the write-off of goodwill was completed. Other expenses consisted of interest expense on loans of \$45,000 and currency transaction gains of \$47,000. The currency transaction gain is due to the drop in the dollar currency relative to the sterling since the beginning of the year and carrying foreign based assets on the balance sheet. Interest in 2003 of \$45,000 is \$8,000 higher than in 2002 as the Company had interest costs on UK notes payable.

Net Loss from continuing operations: The Company reported a net loss of \$(7,812,000) from continuing operations in 2003 as compared to a net loss of \$(10,734,000) in 2002. The primary improvement was not having the goodwill write off in 2003. The loss was also lower due to the costs associated with the divested Tiger Telematics Ltd. no longer included in operations since it was sold, not having the write down of impaired goodwill and other intangible assets that occurred in 2002 in the numbers for 2003 and the cost reductions undertaken in late 2002. Management does anticipate that its losses in future quarters will grow materially as it expenses development costs, content costs, and marketing costs for the gaming device Gizmondo.

Net Loss from discontinued operations: Discontinued operations recorded a net loss of \$0 in 2003 as compared to a loss of \$353,000 in 2002. The operation of flooring segment was discontinued in June 2002. On August 9, 2002, the Company sold the assets of the flooring segment effectively eliminating that segment

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

going forward from that date.

Net Loss: Although the Company reported an operating loss for 2003 of \$7,812,000, a substantial portion of the loss consists of expenses incurred in developing the Gizmondo product line. The loss was 30% less in the prior year when the goodwill and other intangibles write-offs were taken. The difference is attributed the divestiture of Tiger Telematics Ltd. and not having its losses in the 2003 results, the elimination of the write down of impaired goodwill and other intangibles that occurred in 2002 and the cost reductions taken in late 2002 that helped results for the twelve months ended December 31, 2003. Management does not expect that there will be discontinued operations impacting 2003 going forward. The UK subsidiary will incur significant costs in the development of its new products and in marketing them. Management anticipates that future net losses per quarter will be considerable higher than recent quarters as the Company increases the expenditures in product development and marketing for Gizmondo.

14

Liquidity and Capital Resources

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

In 2004 the Company funded its operations principally through private placements of its common stock, principally from accredited foreign investors, aggregating over \$55,000,000. During 2003 the Company funded its operating losses and start-up costs principally with loans from stockholders or other parties and through private placements of common stock aggregating \$1,745,000. Without such equity funding the Company would not have been able to sustain operations. During 2004 the Company's working capital deficit increased from \$8,800,000 to over \$22,800,000. This was the result of continued substantial losses, funded by private placements of its common stock and in part by increases in accounts payable and accrued expenses of over \$22,000,000 while current assets increased just over \$10,000,000 and acquisition costs, including increases in goodwill and other intangible assets of nearly \$6,000,000.

During 2004 the Company also issued shares of common stock in payment for services rendered by various vendors (10,522,881 shares - \$29,620,000), acquisition of subsidiaries (1,697,886 shares - \$4,451,000) employee compensation (1,223,024 shares - \$4,694,000) and in payment of notes and employee loans payable (80,000 shares - \$108,000).

A subsidiary of the Company, Warthog, has a \$184,400 line of credit with a balance of \$121,500 (included in accrued expenses) outstanding at December 31, 2004. The note is without collateral, due on demand and was repaid in 2005. Interest is computed at 3% over the bank's base rate.

In May 2005, two entities that are shareholders of the Company provided an aggregate total of approximately \$21.2 million in short term loans to Gizmondo Europe. These loans are repayable by September 30, 2005, and are guaranteed by the Company and by Carl Freer and Stefan Eriksson, personally. The Company also pledged 1,027,069 shares of its common stock as collateral for the loan.

The Company obtained additional equity capital (\$73,100,000 through August 23, 2005) and will seek trade or bank financing as needed to fund the development and the launch of the Gizmondo product in different regions as needed. However, there can be no assurance that any future capital or other financing will be available, or if available on terms reasonably acceptable to the Company. As of

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

December 31, 2004, the Company had stockholders' deficiency of \$16,215,000.

At December 31, 2004, 36,306,607 shares of common stock were issued and outstanding. Through August 23, 2005, the Company has issued approximately 24.7 million additional shares of common stock in numerous private transactions aggregating over \$200,000,000 (a) for cash, (b) upon conversion of debt, accounts payable or other liabilities, (c) for goods or services provided by vendors, strategic partners, professionals, consultants and employees and (d) in connection with the acquisition of assets. See Note C of the Consolidated Financial Statements.

15

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are stock-based compensation, income taxes, goodwill impairment and revenue recognition.

Stock-Based Compensation

We have chosen to account for stock options granted to employees and directors under the recognition and measurement principles of Accounting Principles Board Opinion No. 25 instead of the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-based Compensation," as amended by SFAS No. 148, "Accounting for Stock-based Compensation Transition and Disclosure."

In addition, the Company has routinely exchanged shares of its common stock for services and in satisfaction of debt owed by the Company to shareholders. Common stock exchanged for services from unrelated parties, shareholder debt and suppliers is valued at the appraised value of the Company's restricted common stock. Any differences between the appraised value and the stated value of services or debt is charged to operations.

The shares issued are restricted securities and may not be currently sold. The value of these restricted securities is determined by an independent business valuation expert on a quarterly basis. Management believes that the appraised value is a better indication of the fair value of the restricted shares issued than the price of freely traded shares in the open market due to the large number of issued restricted shares.

Income Taxes

The calculation of the Company's income tax provision and related valuation allowance is complex and requires the use of estimates and judgments in its determination. As part of the Company's evaluation and implementation of business strategies, consideration is given to the regulations and tax laws that apply to the specific facts and circumstances for any transaction under evaluation. This analysis includes the amount and timing of the realization of income tax liabilities or benefits. Management closely monitors tax developments

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

in order to evaluate the effect they may have on the Company's overall tax position.

Impairment of Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. The Company tests goodwill and other intangible assets on an annual basis, or more frequently if events or circumstances indicate that there may have been impairment. The goodwill impairment test estimates the fair value of each reporting unit, through the use of a discounted cash flows model, and compares this fair value to the reporting unit's carrying value. The goodwill impairment test requires management to make judgments in determining the assumptions used in the calculations. Management believes goodwill is not impaired and is properly recorded in the financial statements.

16

Revenue Recognition

The Company enters into agreements to sell products (hardware or software), services, and other arrangements that include combinations of products and services. Revenue from product sales, net of trade discounts and allowances, is recognized provided that persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Revenue is reduced for estimated product returns and distributor price protection, when appropriate. For sales that include customer-specified acceptance criteria, revenue is recognized after the acceptance criteria have been met. Revenue from services is deferred and recognized over the contractual period or as services are rendered and accepted by the customer. When arrangements include multiple elements, we use objective evidence of fair value to allocate revenue to the elements and recognize revenue when the criteria for revenue recognition have been met for each element. The amount of product revenue recognized is affected by our judgments as to whether an arrangement includes multiple elements and if so, whether vendor-specific objective evidence of fair value exists for those elements. Changes to the elements in an arrangement and the ability to establish vendor-specific objective evidence for those elements could affect the timing of the revenue recognition. Most of these conditions are subjective and actual results could vary from the estimated outcome, requiring future adjustments to revenue.

Research and Development

The Company expenses research and development costs as incurred.

Recently Issued Accounting Standards

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R (Revised 2004), Share-Based Payment ("SFAS No. 123R"), which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on alternative fair value models. The share-based compensation cost will be measured based on the fair value of the equity or liability instruments issued. The Company currently disclosed pro forma compensation expense quarterly and annually by calculating the stock option grants' fair value using Black-Scholes model and disclosing the impact on net income and net income per share in a Note to the Consolidated Financial statements. Upon adoption, pro forma disclosure will no longer be an alternative. The table above reflects the estimated impact that such a change in

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

accounting treatment would have had on the Company's net loss and net loss per share if it had been in effect during the year ended December 31, 2003. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as financing cash flows and increase net financing cash flows in periods after adoption. The Company will begin to apply SFAS No. 123R using the most appropriate fair value model as of the interim reporting period ending September 30, 2005.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4." SFAS No. 151 retains the general principle of ARB No. 43, Chapter 4, "Inventory Pricing," that inventories are presumed to be stated at cost; however, it amends ARB No. 43 to clarify that abnormal amounts of idle facilities, freight, handling costs and spoilage should be recognized as current period expenses. Also, SFAS No. 151 requires fixed overhead costs be allocated to inventories based on normal production capacity. The guidance in SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company believes that implementing SFAS No. 151 should not have a material impact on its financial position and results of operations.

17

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle unless it is impracticable to do so. SFAS No. 154 also provides that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate effected by a change in accounting principle and that correction of errors in previously issued financial statements should be termed a "restatement." SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption of this standard is permitted for accounting changes and corrections of errors made in fiscal years beginning after June 1, 2005. The Company will apply the provisions of this statement effective January 1, 2006 and believes that implementing SFAS No. 154 should not have a material impact on its financial position and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

No market risk sensitive instruments

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

The response to this item is submitted on pages F-1 - F-31 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). This includes the process and policies designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(a) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

18

(c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2004. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Warthog Games Limited ("Warthog") was acquired by the Company within 2 months of the financial year end. Management has considered The Securities and Exchange Commission ("SEC") document entitled "Management's Report on Internal Control over Financial Reporting and Disclosure in Exchange Act Periodic Reports: Frequently Asked Questions" and believe that it is appropriate to apply the guidance included in the answer to Question 3 (reporting on acquired businesses during the fiscal year). Warthog results were less than one percent of the consolidated net loss before tax for the year ended December 31, 2004 and management does not consider Warthog to be material to the financial statements. Hence management has excluded Warthog from management's report on internal control over financial reporting for 2004.

A material weakness in internal control over financial reporting is a significant deficiency (within the meaning of the Public Company Accounting Oversight Board's Auditing Standard No. 2), or combination of significant deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management's assessment concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2004 as a result of the following identified material weaknesses:

- o The design of the Company's corporate governance framework does not currently meet the requirements of COSO's Internal Control-Integrated Framework in the following areas:
 - The Company does not have an independent audit committee;
 - The Company does not have a fraud training program for employees, or a mechanism to report fraud to the board of directors; and
 - The Company does not have formalized and documented HR policies and procedures.
- o Inadequate segregation of duties, which impacted the Company's financial reporting controls, taxation calculation and reporting controls, expenditure controls and information technology controls;

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

- o Insufficient qualified personnel in human resources and payroll functions to maintain effective controls with respect to hiring of personnel; maintenance of employee records; payroll processing, including a lack of segregation of duties; and anti-fraud measures including inadequate policies for employee expenses;
- o Inadequate controls and accounting policies over capitalization, disposition and evaluation of useful lives of fixed assets;

19

- o Inadequate controls over purchases, including authorization, recording, ordering, confirmation of the receipt of goods or services, segregation of duties, and payment of suppliers;
- o Inadequate IT back up procedures as back up media was held on site and not at a remote location in line with good practice;
- o Ineffective or inadequate controls over the retention of records, returns to the tax authorities, review and reconciliation of accounts for UK Value Added Tax (VAT) on purchases; and
- o Inadequate controls over the financial statements close process due to the lack of independent and timely review; lack of procedures to ensure consistency and completeness of the process; and lack of management information to enable effective review of the Company's performance.

Management continues to evaluate the impact of these deficiencies and weaknesses on the Company's financial reporting and control environment. The Company, has employed BDO Stoy Hayward LLP to assist in identifying remediation actions required to address these control deficiencies and weaknesses.

Goldstein Golub Kessler LLP has issued an auditors' report on management's assessment of our internal control over financial reporting. The auditors' report is included in the Report of Goldstein Golub Kessler LLP, Independent Registered Public Accounting Firm, that appears on page F-2 of this Annual Report on Form 10-K.

Changes in Internal Controls.

There have been no changes in internal controls or in other factors during our most recent fiscal quarter that has significantly affected or is reasonably likely to significantly affect our internal controls over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information on the directors and executive officers of the Company as of August 1, 2005 is provided below. The term of all of the directors of the Company expires May 30, 2006.

Michael Carrender
Director since 2002

Mr. Carrender, age 52, has been the Chief Executive Officer and Chief Financial Officer of the Company since August 2003 and was previously Executive Vice President and Chief Financial Officer of the Company since February 2002. Mr. Carrender served as President and Chief Executive Officer of Crowe Rope, a unit of JPBE, Inc., a manufacturer of cordage products, from January 1999 until he joined the Company in February 2002. He was an independent consultant for various companies prior to joining Crowe. He was Vice President and General

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Manager of Mail Well Inc., a New York Stock Exchange printing Company, from 1997 to 1998. Before he became a consultant, he was with Consolidated Packaging

20

Corporation, a publicly traded multi-plant paper converting company, for seventeen years during which he held positions of Treasurer (1979-1983), Chief Financial Officer (1984-1989), Chief Operating Officer (1988-1989), and President and Chief Executive Officer (1989-1996). Mr. Carrender holds a BA and an MBA in Finance.

Carl Freer
Director since August 2004

Mr. Freer, age 35, has served as Chairman since August 2004 and has been Managing director of the Company's Gizmondo Europe Ltd. subsidiary based in the UK since summer of 2003. He was the founder in 1999 of Eagle Eye Scandinavian Ltd. that was acquired by the Company in February 2002. He founded and served as Sales Director of ARE Media AB, a private media sales company in Stockholm, a Director of Performance Films SA, a film production company in Malaga, Spain and a Director of Rivera Auto Forum, a specialty auto dealership in Cannes, France. Mr. Freer is a director of WEG Entertainment and a trustee of several charities, including Kings Medical Research Trust.

Steve Carroll
Director since August 2004

Mr. Carroll, age 48, has served as a Director since August 2004 and has been the Chief Technology Director of the Company's Gizmondo Europe Ltd. subsidiary, since its inception in December 2002. He has been with the Company or its subsidiaries, since September 2002. He was formerly Director of Maxon, a Korean-high volume telecommunications equipment manufacturer from 1996 to 2002. He was previously employed at Marconi/MOD/GEC, telecommunication equipment manufacturers, in various positions from 1981 to 1996. He has a Masters Degree MSc from Cambridge in the UK.

Bo Stefan Eriksson
Executive Officer since September 2005

Bo Stefan Eriksson, age 46, is an executive officer of the Company's largest subsidiary, Gizmondo Europe Ltd., and is deemed to be an executive officer of the Company as of September 2005. Mr. Eriksson previously worked with Carl Freer at Eagle Eye Scandinavian Ltd., which was acquired by the Company in February 2002.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's directors and executive officers, and persons who own more than 10% of the outstanding shares of the Company's common stock, to file initial reports of beneficial ownership and reports of changes in beneficial ownership of shares of common stock with the Securities and Exchange Commission (the "Commission"). Such persons are required by regulations promulgated under the Exchange Act to furnish the Company with copies of all Section 16(a) forms filed with the Commission.

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company during the year ended December 31, 2004, and upon a review of Forms 5 and amendments thereto furnished to the Company with respect to the year ended December 31, 2004, or upon written representations received by the Company from certain reporting persons that such persons were not required to file Forms 5,

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

the Company believes that no director, executive officer or holder of more than 10% of the outstanding shares of common stock failed to file on a timely basis

21

the reports required by Section 16(a) of the Exchange Act during, or with respect to, the year ended December 31, 2004.

Code of Ethics

As of the date of this filing, the Company has adopted a Code of Business Conduct and Ethics that applies to the Company's and its subsidiaries' officers, directors and employees.

Audit Committee and Audit Committee Financial Expert

The Company's board of directors acts as the Company's audit committee, with Michael W. Carrender acting as its chairman. The Company's board of directors has determined that the Company did not have an audit committee financial expert serving on its audit committee during the time period covered by this filing. The Company did not have an audit financial expert serving on its audit committee because it was not a requirement for the time period covered by this filing.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation

The following table provides information on the total compensation paid or accrued during the fiscal years indicated below by the Company and/or its affiliates and allocated to the Company's operations for services rendered during each of 2004, 2003 and 2002 to all persons serving as the Company's chief executive officer during 2004, 2003 and 2002, to each of the Company's three most highly compensated executive officers other than the chief executive officer whose total salary and bonus compensation exceeded \$100,000 during any such year.

Summary Compensation Table
Annual Compensation (1)

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Stock Awards (\$)	Securities Underlying Options/ Shares	LTIP Payout
Michael W. Carrender	2004	\$ 1,266,783(2)	\$ 0				
Chief Executive Officer	2003	\$ 200,000	\$ 0			0	
	2002	\$ 78,564	\$ 0			144,000 (3)	
Carl J. Freer Chairman (4)	2004	\$ 1,075,684	\$ 1,123,850	0	975,0000	0	

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

		\$	0	\$	0	0
A. J. Nassar	2004	\$	0	\$	0	0
Former Chief Executive Officer and Chairman until July 2002 (5)	2003	\$	50,000	\$	0	0
Steve Carroll (6)	2004	\$	1,020,580	\$	0	1,492,587
Chief Technology Officer						0
Bo Stefan Eriksson	2004	\$	867,465	\$	1,365,456	884,024
Director - Gizmondo Europe (7)						0

22

- (1) No officer received perquisites in an amount greater than \$50,000.
- (2) Mr. Carrender joined the Company in February 2002. Mr. Carrender is owed \$646,666 in accrued but unpaid salary, as of December 31, 2004.
- (3) Options to purchase 144,000 shares at \$1.50 per share were granted in August 2002 under the 2001 Stock Option Plan.
- (4) Mr. Freer became Chairman in August 2004, but was Managing Director of Gizmondo in 2003. He received his compensation in Great Britain Sterling from the subsidiary Gizmondo Europe Ltd. , which amount has been converted to US dollars at a 1.9277 conversion rate. The Company included in Mr. Freer's 2004 all other Compensation \$163,855 paid by the Company to Bankside Law for legal fees incurred by Mr. Freer, personally.
- (5) Represents salary earned by Mr. Nassar from May 22, 2001 through December 31, 2001, \$35,343 of which was accrued and unpaid as of December 31, 2001. The salary level at the time of his resignation was \$100,000 per annum. Mr. Nassar resigned as CEO on June 28, 2002.
- (6) In the first quarter of 2005, Gizmondo Europe acquired a luxury automobile for Mr. Carroll. The automobile had a value of approximately \$231,324 at the time of acquisition, which amount is included in his 2005 compensation.
- (7) Mr. Eriksson's salary is paid in Great Britain Sterling from the subsidiary Gizmondo Europe Ltd. and converted to US dollars at a 1.9277 conversion rate.
- (8) Includes an automobile allowance of \$115,662.
- (9) Automobile allowance.

Option Grants

No stock options were granted during 2004 pursuant to the Company's 2001 stock option plan.

The following table sets forth certain information concerning the exercise of options and the value of unexercised options held under the 2001 Plan and outside of the 2001 Plan at December 31, 2004 by the individuals listed in the Summary Compensation Table.

Aggregated Option Exercises In Last Fiscal Year and Fiscal Year-End Option Values

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Name	Shares Acquired on Exercise	Value Realized(\$)	Number of Securities Underlying Unexercised Options/Shares Fiscal Year-End(%)Exercisable/ Unexercisable	Value of unexercise In-the-Money Option Shares at Fiscal Year-End(\$) Acquire Exercisable/Unexerc
Michael W. Carrender	0	0	144,000/0	\$3,787,200/0 (1)

(1) Represents the difference between the last reported sale price of the common stock on December 31, 2004 (\$26.30) and the exercise price of the shares of the options at \$1.50 multiplied by the number of options exercised.

Compensation of Directors

The directors of the Company are not compensated for serving as members of the Company's Board of Directors.

2001 Stock Option Plan

The Company adopted its 2001 stock option plan (the "2001 Plan") in July 2001.

The stock incentive plan provides for the granting of incentive stock related awards to officers, employees and other individuals so that the Company will be able to attract and retain the services of highly qualified individuals. The essential features of the 2001 Plan are set forth below.

Shares Authorized for Grant. Subject to the anti-dilution provisions discussed below, there are 320,000 shares of common stock reserved for issuance upon the exercise of options (following the 25 for 1 reverse split of July 30, 2004). Such shares may be authorized, but unissued shares of common stock, or

23

reacquired shares. Shares subject to options granted under the 2001 Plan, which have lapsed or terminated may again be subject to options under the 2001 Plan. No options to purchase shares of common stock have been granted under the 2001 Plan as of December 31, 2004 but 144,000 were granted in 2002 and none were granted in 2003 or 2004.

Administration of the 2001 Plan. The 2001 Plan is administered by the Board of Directors or by a committee consisting of two (2) or more outside directors who are appointed by the Board (the "Committee"). Subject to the express provisions of the 2001 Plan, the Board or such Committee has the authority to interpret the 2001 Plan, to prescribe, amend and rescind rules and regulations relating to the 2001 Plan, to determine the terms and provisions of option agreements and to make all other determinations necessary or advisable for the administration of the 2001 Plan. Any controversy or claim arising out of or related to the 2001 Plan, or the options granted thereunder, is determined unilaterally by, and at the sole discretion of, the Committee.

Option Grants to Eligible Individuals. All employees and other individuals who provide services to the Company are eligible to receive options under the 2001 Plan. Employees are eligible to receive either "incentive" stock options, subject to the limitations of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or "non-statutory" stock options. The 2001 Plan confers discretion on the Committee to select employees or other individuals that the

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Committee determines to receive options, to determine the number of shares subject to each option, the term of each option and the exercise price of the options granted, except that the exercise price may not be less than 100% of the fair market value of the underlying common stock for an incentive stock option as of the date of grant. In addition, the exercise price may not be less than 110% of the fair market value of the common stock for an incentive stock option granted to a person who owns more than 10% of the total combined voting power or value of all classes of stock of the Company. No option may have a term in excess of ten (10) years from the date of grant.

The Committee has the authority to determine the vesting requirements and the permissible methods of payment of the exercise price. The Committee may also make such other provisions in the options, consistent with the terms of the 2001 Plan, as it may deem desirable. Options granted under the 2001 Plan are not exercisable until six (6) months after grant.

To the extent that such an option is an incentive stock option, upon termination of an optionee's employment with the Company for any reason, such optionee's options shall immediately terminate, except that upon termination, the Committee in its discretion may allow the optionee to exercise any vested options owned by the optionee within ninety (90) days after termination. In no event are options exercisable beyond their stated term.

Change in Control. All options granted under the 2001 Plan become fully vested and immediately exercisable upon the occurrence of a "Change of Control."

The 2001 Plan defines Change of Control to mean the occurrence of any of the following: (i) the acquisition (other than from the Company directly) by any "person" group or entity within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934) of beneficial ownership of thirty-five (35%) percent or more of the outstanding common stock of the Company; (ii) if the individuals who serve on the Board as of the date of stockholder approval of the 2001 Plan, no longer constitute a majority of the members of the Board of Directors; provided, however, any person who becomes a director subsequent to

24

such date, who was elected to fill a vacancy by a majority of the directors then serving on the Board of directors shall be considered a member prior to such date; (iii) the stockholders of the Company approve a merger reorganization or consolidation of the Company whereby the stockholders of the Company immediately prior to such approval do not, immediately after consummation of such reorganization, merger or consolidation, own more than 50% of the voting stock of the surviving entity; or (iv) a liquidation or dissolution of the Company, or the sale of all or substantially all of the Company's assets.

Nontransferability of Options. Options granted under the 2001 Plan are not transferable other than by will or the laws of descent and distribution, and may be exercised during the optionee's lifetime only by the optionee. Upon such optionee's death, the beneficiary of the optionee's estate shall have the lesser of (a) the remaining term of such option or (b) one year for the optionee's death within which to exercise such options.

Anti-dilution Provisions. In the event of a change, such as a stock split or stock dividend, in the Company's capitalization, which results in a change in the number of outstanding shares of common stock, without receipt of consideration, an appropriate adjustment will be made in the exercise price of, and the number of shares subject to, all outstanding options. An appropriate adjustment will also be made in the total number of shares authorized for issuance under the 2001 Plan.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Dissolution or Liquidation. Upon the dissolution or liquidation of the Company, or upon a reorganization, merger or consolidation of the Company with one (1) or more corporations as a result of which the Company is not the surviving corporation, or upon a sale of substantially all the property or more than fifty (50%) percent of the then outstanding shares of common stock of the Company to another corporation, the Company shall either: (a) provide for the assumption by the successor corporation of the options theretofore granted or the substitution by such corporation for such options of new options covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; or (b) give to each optionee at the time of adoption of the plan of liquidation, dissolution, merger or sale, notice of the adoption of the plan of liquidation, merger or sale (i) a reasonable time thereafter within which to exercise all such options owned by such individuals prior to the effective date of such liquidation, dissolution, merger or sale; or (ii) the right to exercise the option as to an equivalent number of shares of common stock of the successor corporation by reason of such liquidation, dissolution, merger, consolidation or reorganization.

Tax Consequences to Grantees. Under present tax law, the Federal income tax treatment of options granted under the 2001 Plan is as generally described below.

Incentive Stock Options. With respect to options, which qualify as incentive stock options, an optionee will not recognize income for federal income tax purposes at the time options are granted or exercised. If the optionee disposes of shares of common stock acquired upon exercise of the options before the expiration of two years from the date the options are granted, or within one year after the issuance of shares upon exercise of the options, the optionee will recognize, in the year of disposition (a) ordinary income, to the extent that the lesser of either (i) the fair market value of the shares on the date of option exercise or (ii) the amount realized on disposition, exceeds the option price; and (b) capital gain (or loss), to the extent that the amount realized on disposition differs from the fair market value of the shares on the date of option exercise. If the shares are sold after expiration of these holding periods, the optionee will realize capital gain or loss (assuming the shares are held as capital assets) equal to the difference between the amount realized on disposition and the option price.

25

Non-Qualified Stock Options. Non-qualified stock options are all options, which do not qualify for incentive stock option treatment under Section 422 of the Code. If a non-qualified stock option has a readily ascertainable fair market value at the time of grant, the optionee realizes ordinary income either (a) when his rights in the option becomes transferable; or (b) when the right to an option is not subject to a substantial risk of forfeiture. Ordinary income will be equal to the fair market value of the option less any amount paid by the optionee. If the option does not have an ascertainable fair market value at the time of grant, income is realized at the time the option is exercised. Such income would be the positive difference between the fair market value of the common stock received at the time of exercise and the exercise price paid. Upon the sale of the common stock received upon exercise, the difference between the sale price and the fair market value on the date of exercise will be treated as capital gain or loss.

Tax Consequences to the Company. The Company will be entitled to a deduction for federal income tax purposes at the same time and in the same amount as an optionee is required to recognize ordinary income as described above. To the extent an optionee realizes capital gains as described above, the Company will not be entitled to any deduction for Federal income tax purposes.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Accounting Considerations. Currently, there is no charge to the Company's operations in connection with the grant or exercise of an option under the 2001 Plan, unless the fair market value of the shares at the date of grant exceeds the exercise price of the option, in which case there will be a charge to operations in the amount of such excess. Earnings per share may be affected by the 2001 Plan by the effect on the calculation, as prescribed under generally accepted accounting principles, of the number of outstanding shares of common stock of the Company. This calculation reflects the potential dilutive effect, using the treasury stock method, of outstanding stock options anticipated to be exercised even though shares have not yet been issued upon exercise of these options. When shares are actually issued as a result of the exercise of stock options, additional dilution of earnings per share may result.

Reload Options. The 2001 Plan provides for the automatic grant of reload options to an optionee who would pay all, or part of, an option exercise price by the delivery of shares of common stock already owned by such optionee. Reload options would be granted for each share so tendered. The exercise price of such reload option is the fair market value of the common stock on the date the original option is exercised. All other terms of the reload options are identical to the terms of the original option.

2005 Stock Incentive Plan

The Company adopted the Tiger Telematics, Inc. 2005 Incentive Plan (the "2005 Plan") on May 13, 2005.

The 2005 Plan provides for the granting of stock awards to Board members, employees, professional advisors and other independent contractors to provide an incentive to such individuals who provide services to the Company or its subsidiary Companies who are in a position to contribute materially to the long-term success of the Company, to increase their proprietary interest in the success of the Company and to aid in attracting and retaining directors, employees and independent contractors of outstanding ability. The essential features of the 2005 Plan are set forth below:

26

Shares Authorized for Award. Subject to adjustment provisions discussed below, there are 1,000,000 shares of the Company's common stock, \$.001 par value, reserved for issuance under the 2005 Plan. Such shares of common stock may be authorized, but unissued shares of common stock, or reacquired shares. In the event that any shares of common stock that are subject to the 2005 Plan are forfeited or redeemed by the Company, such shares may again be awarded under the 2005 Plan.

Administration of the 2005 Plan. The 2005 Plan is administered by an award committee appointed by the Board (the "Committee"). Subject to the express provisions of the 2005 Plan, the Committee has the authority to construe and interpret the 2005 Plan, to prescribe, amend and rescind rules and regulations relating to the 2005 Plan and to take all actions necessary or advisable for the administration of the 2005 Plan. Furthermore, the Committee grants stock awards to eligible persons and determines the time for granting stock awards, the number of shares of the Company's common stock subject to each stock award and all other terms and conditions of each stock award. The Committee's interpretation and construction of the 2005 Plan shall be final. Under the 2005 Plan, the Company indemnifies the Board of Directors and Committee.

Stock Awards to Eligible Individuals. All Board members, employees, professional advisors and other independent contractors who provide services to the Company or its Subsidiaries are eligible to receive stock awards under the 2005 Plan.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Terms and Conditions of Stock Awards. The Committee shall issue stock awards pursuant to a stock award agreement, which agreement shall contain or shall be subject to the following terms and conditions: the number of shares to which it pertains; the applicable restrictions on the shares; any events that would accelerate the applicable restrictions; and such other terms, conditions, provisions and restrictions as the Committee shall deem advisable. Additionally, any shares of common stock issued under the 2005 Plan shall include a legend to the effect that the shares represented thereby may not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of except in accordance with the terms of the 2005 Plan.

Adjustments. The award shares shall be subject to adjustment as a result of a stock split or stock dividend or a combination of shares or any other change, or exchange for other securities by reclassification, reorganization, merger, consolidation, recapitalization or otherwise, as determined by the Committee.

Compliance with SEC Requirements. No certificate for award shares distributed pursuant to the 2005 Plan shall be issued until the Company shall have taken such action, if any, as is required to comply with the provisions of the Securities Act of 1933, as amended, the Securities Act of 1934, as amended, any other applicable laws and the requirements of any exchange in which the award shares may, at the time, be listed.

Income Tax Provisions. The Company or participating subsidiary shall to the extent required by law, and may, to the extent permitted by law, deduct from any payment of any kind otherwise due to a recipient of a stock award, the aggregate amount of any federal, state or local taxes of any kind required by law to be withheld with respect to the award shares or, such recipient shall pay to the Company, or make arrangements satisfactory to the Company regarding payment by the Company of, the aggregate amount of any such taxes. Until such amount has been paid or arrangements satisfactory to the Company have been made, no stock certificates under the 2005 Plan shall be issued to a recipient.

27

Employment Contracts and Termination and Change-In-Control Arrangements

As of December 31, 2004, the Company had employment agreements with all of its executive officers, Michael W. Carrender, Carl Freer, Steve Carroll and Stefan Eriksson.

The Company and Michael W. Carrender entered into an employment contract effective March 1, 2004, pursuant to which Mr. Carrender is employed as the Chief Executive Officer of the Company. This contract currently provides for an initial three year term through March 1, 2007, and his employment there under is automatically extended for successive one-year periods thereafter, unless terminated by either the Company or Mr. Carrender upon proper notice. The base salary under this contract is a minimum of \$1,800,000 per annum (effective as of October 1, 2004) and Mr. Carrender is eligible to receive (1) a bonus, and (2) certain perquisites described in the contract. If Mr. Carrender's employment is terminated prior to the term of the contract by the Company (unless the termination is by the Company for "cause" or as a result of Mr. Carrender's death or permanent disability) or by Mr. Carrender for "good reason," then the Company must pay Mr. Carrender (x) his remaining base salary through the end of the then current term and (y) an amount equal to fifty percent (50%) of his annual base salary for the fiscal year immediately preceding the year in which the termination occurs.

Gizmondo Europe, Ltd., the Company and Carl Freer entered into an employment contract effective March 1, 2004, pursuant to which Mr. Freer is employed as the Managing Director of Gizmondo Europe. This contract currently provides for an

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

initial three year term through March 1, 2007, and his employment there under is automatically extended for successive one-year periods thereafter, unless terminated by either the Company or Mr. Freer upon proper notice. The base salary under this contract is a minimum of \$1,922,770 per annum (effective as of October 1, 2004) and Mr. Freer is eligible to receive (1) a bonus, and (2) certain perquisites described in the contract. If Mr. Freer's employment is terminated prior to the term of the contract by the Company (unless the termination is by the Company for "cause" or as a result of Mr. Freer's death or permanent disability) or by Mr. Freer for "good reason," then the Company must pay Mr. Freer (x) his remaining base salary through the end of the then current term and (y) an amount equal to fifty percent (50%) of his annual base salary for the fiscal year immediately preceding the year in which the termination occurs.

Gizmondo Europe, Ltd., the Company and Steve Carroll entered into an employment contract effective October 1, 2004, pursuant to which Mr. Carroll is employed as the Chief Technology Officer. This contract currently provides for an initial three year term through October 22, 2007, and his employment there under is automatically extended for successive one-year periods thereafter, unless terminated by either the Company or Mr. Carroll upon proper notice. The base salary under this contract is a minimum of \$1,542,160 per annum (effective as of February 1, 2005) and Mr. Carroll is eligible to receive (1) a bonus, and (2) certain perquisites described in the contract. If Mr. Carroll's employment is terminated prior to the term of the contract by the Company (unless the termination is by the Company for "cause" or as a result of Mr. Carroll's death or permanent disability) or by Mr. Carroll for "good reason," then the Company must pay Mr. Carroll (x) his remaining base salary through the end of the then current term and (y) an amount equal to fifty percent (50%) of his annual base salary for the fiscal year immediately preceding the year in which the termination occurs.

Gizmondo Europe, Ltd., the Company and Stefan Eriksson entered into an employment contract effective March 1, 2004, pursuant to which Mr. Eriksson is employed as a Director of Gizmondo Europe. This contract currently provides for an initial three year term through March 1, 2007, and his employment there under is automatically extended for successive one-year periods thereafter, unless terminated by either the Company or Mr. Eriksson upon proper notice. The base salary under this contract is a minimum of \$1,542,160 per annum (effective as of October 1, 2004) and Mr. Eriksson is eligible to receive (1) a bonus, and (2) certain perquisites described in the contract. If Mr. Eriksson's employment is terminated prior to the term of the contract by the Company (unless the termination is by the Company for "cause" or as a result of Mr. Eriksson's death or permanent disability) or by Mr. Eriksson for "good reason," then the Company must pay Mr. Eriksson (x) his remaining base salary through the end of the then current term and (y) an amount equal to fifty percent (50%) of his annual base salary for the fiscal year immediately preceding the year in which the termination occurs.

28

Compensation Committee Interlocks and Insider Participation

No executive officer of the Company serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee. The Company had no separate Compensation, Stock Option and Benefits Committee during the year ended December 31, 2004.

Shareholder Return Performance

This graph compares the Company total stockholder returns and the Standard and

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Poor's 500 Composite Stock Index, The graph assumes \$100 invested at the per share closing price of the common stock of the Company on the other over the counter market from December 31, 2002 forward. Prior to the reverse shell merger in May 2001, there was no established public trading market for the Company's stock.

	12/31/2001 -----	12/31/2002 -----	12/31/2003 -----	12/31/2004 -----
TGTL	100.00	63.13	43.48	413.93
S&P 500	173.12	130.53	163.51	178.23

Comparison of initial \$100 investment the Standard and Poor's Composite Stock Index versus the common stock of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information with respect to the beneficial ownership of the Company's common stock as of August 9, 2005 for (a) the chief executive officer, (b) each of the Company's directors and executive officers, (c) all of the Company's current directors and executive officers as a group and (d) each stockholder known by us to own beneficially more than 5% of the Company's common stock.

Beneficial ownership is determined in accordance with the rules of the Commission and includes voting or investment power with respect to the securities.

29

Shares of common stock that may be acquired by an individual or group within 60 days of August 9, 2005, pursuant to the exercise of options or warrants are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Except as indicated in footnotes to this table, the Company believes that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them based on information provided to us by such stockholders. Ownership percentage is based on 59,252,323 shares of common stock outstanding on August 9, 2005, plus 144,000 options outstanding.

	Name of Beneficial Owner -----	Amount and Nature of Beneficial Owner -----	Percent of Class -----
Directors and Executive Officers:	Michael W. Carrender ¹	1,924,036	3.2%
	Carl Freer ²	4,015,088	6.8%
	Steve Carroll ³	565,000	1.0%
	Stefan Eriksson ⁴	1,137,750 -----	1.9% ----
All directors and executive officers as a		7,641,874	12.9%

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

group (3 persons)

- 1 Includes 144,000 shares issuable upon exercise of incentive stock options, shares held in joint account with spouse and individually. Mr. Carrender's address is 550 Water Street, Suite 937, Jacksonville, FL 32202.
- 2 Includes shares held by spouse and in the names of three dependent children. Mr. Freer's address is One Meadow Gate Park, Farnborough Business Park, Farnborough, Hampshire, UK GU146FG.
- 3 Mr. Carroll's address is One Meadow Gate Park, Farnborough Business Park, Farnborough, Hampshire, UK GU146FG.
- 4 Includes 22,750 shares held in the name of his dependent child. Mr. Eriksson's address is One Meadow Gate Park, Farnborough Business Park, Farnborough, Hampshire, UK GU146FG.

Equity Compensation Plan Information

The following table reflects the number of shares of the Company's common stock that, as of August 1, 2005, were outstanding and available for issuance under both (i) equity compensation plans that have previously been approved by our stockholders and (ii) equity compensation plans that have not approved by stockholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Previously Issued)
Equity Compensation Plans Approved by Security Holders	144,000 (1)	\$1.50	156,000
Equity Compensation Plans not Approved by Security Holders	0	\$0	1,000,000
Total	144,000	\$1.50	1,156,000

1 Consists of options issuable under the 2001 Plan to purchase a total of 144,000 shares issued to Mr. Carrender in August 2002.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of December 31, 2003 the Company owed Mr. Carrender \$136,570 in accrued salary. As of December 31, 2004, the Company owed Mr. Carrender \$646,667 in accrued salary and reimbursable expenses.

During the fourth quarter of 2003, the Company converted \$1,420,000 of debt to

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Carl Freer, a stockholder of the Company and an officer of a subsidiary of the Company, to 2,840,000 shares of common stock at the rate of \$.50 per share. Mr. Freer later became a director and Chairman of the Board of the Company in August 2004. In addition, during the fourth quarter of 2003 the Company converted \$226,730 of debt owed to Joe Marten into 453,460 shares of common stock valued at \$.50 per share. Also during 2003, the Company converted \$84,028 of debt owed to other shareholders and issued 178,054 shares valued at \$.50 per share. All of these conversions were approved by the Company's board of directors. The Company recorded a loss in 2003 of \$1,543,730 on the conversion of this shareholder debt.

In 2004, the Company issued 800,000 shares valued at \$1,800,000 to Joe Marten for services rendered to the Company. In April 2004, Mr. Marten subsequently became an employee of Gizmondo Europe responsible for Investor Relations. Mr. Marten left the employment of Gizmondo Europe after the Company's Board of Directors learned that Mr. Martin had made an unauthorized purchase of a luxury automobile using Gizmondo Europe's funds.

During 2004, Mr. Carl Freer and Mr. Stefan Eriksson caused Asiatic Bank and Finance, a company registered in Panama with its head office in Hong Kong, to pay 3P PreForm Marketing and Research AB and other non-affiliated third parties \$7,622,000 for research and development expenditures incurred by and charged to Gizmondo Europe. This amount has been credited in full payment of amounts previously owed by Carl Freer and Stefan Eriksson to Gizmondo Europe. Asiatic Bank and Finance owns 400,000 shares of common stock of Tiger Telematics, Inc., which it acquired in November 2003 at a price of \$.50 per share.

On August 2, 2004, Gizmondo Europe completed the acquisition of Indie Studios AB for an aggregate of 1.6 million shares of the Company's common stock. At the time of this acquisition, Peter Uf, Joe Marten and Stefan Eriksson were directors of both Gizmondo Europe and Indie Studios. This transaction was approved by the Company's board of directors. For additional information regarding the acquisition of Indie Studios, see Note I to the Company's financial statements.

In September 2004, Northern Lights Software Limited ("Northern Lights"), a company registered in the United Kingdom, and Gizmondo Europe entered into a License Agreement, pursuant to which Northern Lights licensed the games Chicane and Colors and provided software development services to Gizmondo Europe. During 2004, Gizmondo Europe paid Northern Lights a total of \$3,513,000 under the License Agreement, which amount was invoiced during the regular course of business. Carl Freer, Chairman of the Company's Board of Directors, and Stefan Eriksson are directors of both Northern Lights and Gizmondo Europe and each is

31

the beneficial owner of 23.5% of the issued and outstanding share capital of Northern Lights. At December 31, 2004, the outstanding balance payable to Northern Lights was \$906,000, which amount was subsequently paid in 2005.

In 2004 and the first quarter of 2005, Gizmondo Europe paid Anneli Freer, the spouse of Mr. Carl Freer, \$116,000 and \$57,831, respectively, for consultancy services provided to Gizmondo Europe. Mrs. Freer provided marketing and public relations services, an introduction to the performer Sting and time spent in connection with the creation of the "Agaju" gaming concept currently in development.

In 2004, the Company paid \$163,855 to Bankside Law for legal fees incurred on behalf of Mr. Freer, personally. The Company included this amount as additional compensation to Mr. Freer.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Tamela Sainsbury, the corporate secretary of Gizmondo Europe, is the co-habiting partner of Steve Carroll, a director of the Company. In 2004, Gizmondo Europe paid Ms. Sainsbury \$149,844 in base compensation, other compensation and bonuses of \$82,954 and provided her with a luxury automobile valued at \$69,108 at the time of acquisition. In addition, in 2004 the Company issued Ms. Sainsbury a total of 160,681 shares of the Company's common stock valued at \$467,213. Ms. Sainsbury's base compensation for 2005 is \$192,777.

In the UK, Gizmondo Europe maintains directors accounts whereby amounts owing to and from directors of Gizmondo Europe are netted in order to facilitate advances made and expenses incurred by directors. During 2004, Gizmondo Europe was owed as much as \$5,723,860, and \$3,122,210, by Messrs. Freer and Eriksson, respectively, using a conversion rate of 1.8074. All amounts owed by Mr. Freer were repaid prior to his becoming a director of the Company in August 2004. As of December 31, 2004, Mr. Eriksson owed \$204,197 to Gizmondo, which loans were subsequently repaid. During 2005, Mr. Eriksson owed as much as \$114,066 to Gizmondo Europe, all of which has been repaid.

The Company presently has three directors, all of whom are involved in management of the Company and its subsidiaries. The Company anticipates increasing the Board to seven directors and adding four independent directors. With respect to the transactions in 2004 described above in which Mr. Carl Freer, Mrs. Carl Freer and/or Mr. Stefan Eriksson had an interest, respectively, the Company will ask the four independent directors, when appointed, to review, with the assistance of independent counsel or other experts, and approve these transactions. For additional information regarding related party transactions, see Note J to the Company's financial statements.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

For the fiscal years ended December 31, 2004, 2003 and 2002, the fees were \$488,298, \$75,000 and \$75,000 respectively, for professional services rendered for the audit of the Company's financial statements. There was a change of the Company's auditors in November 2002.

32

Audit Related Services

The Company was billed \$42,000, \$40,000 and \$60,000 for the years ended December 31, 2004, 2003 and 2002, respectively, for the review of financial statements included in our periodic and other reports filed with the Securities and Exchange Commission. In addition, the UK audit firm billed \$87,000 in 2003 for reviews of Gizmondo Europe Ltd. subsidiary for inclusion in the Company's quarterly filings.

Tax Fees

The Company was not billed for tax services for 2004, 2003 and 2002. Amounts may be required to file the 2004, 2003 and 2002 tax returns.

Additional Fees

The Company was not billed any fees for the years ended 2004, 2003 and 2002 for any products and fees related to accounting services, including financial information systems design and implementation.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

The following documents are filed as part of the report:

1. and 2. The financial statements filed as part of this report are listed separately in the index to Financial Statements beginning on page F-1 of this report.

3. List of Exhibits

Exhibit

No.	Description
2.1	Agreement and Articles of Merger, Plan of Merger, Share sale and Merger Agreement Floor Decor, Inc. and Media Communications Group Corporation ¹
2.2	Stock Purchase Agreement among Floor Decor, Inc., Eagle Eye Scandinavian Distribution Ltd. and the stockholders of Eagle Eye dated December 2001 as amended by an Amendment to Stock Purchase Agreement attached hereto. ²
2.3	The Asset Purchase Agreement among Tiger Telematics, Inc., Comworxx, Inc. and the stockholders of Comworxx dated June 13, 2002. ³

1 Incorporated by reference to Exhibit of the same number filed with the Company's Form 8K dated June 25, 2000.

2 Incorporated by reference to Form 8K dated February 19, 2002.

3 Incorporated by reference to Form 8K dated June 27, 2002.

33

2.4	Asset Purchase Agreement dated August 9, 2002 between the Company and MINIME Inc. and related Assignment and Assumption, Security Agreement and 2 Lease Assignment and Assumption Agreements. ⁴
2.5	Stock Purchase Agreement dated December 20, 2002 between Norrtulls Mobileextra Akliebolag and Tiger Telematics, Inc. and Tiger Telematics, Ltd. and related Royalty Agreement. ⁵
2.6	Asset Purchase Agreement to buy assets and subsidiaries of Warthog Plc. Dated November 3, 2004. ⁶
2.7	Stock Purchase Agreement to buy shares of Integra Sp dated October 29, 2004 subject to their shareholder approval. ⁷
2.8	Stock Purchase Agreement dated May 20, 2004, among Golden Sands Investment Holdings, Ltd. (the sole stockholder of Indie Studios AB), the Company and Gizmondo Europe. ⁸
2.9	Amended and Restated Stock Purchase Agreement dated January 19, 2005, by and among the Company, Integra SP Holdings Limited and Integra SP Nominee Limited. ⁹
2.10	Stock Purchase Agreement dated September 2, 2005, between the Company and Globicom, Inc. ¹⁰
3.1.1	Certificate of Incorporation of the Company. ¹¹

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

-
- 4 Incorporated by reference to Form 8K dated August 9, 2002.
 - 5 Incorporated by reference to Form 8K dated January 20, 2003.
 - 6 Incorporated by reference to Form 8K dated November 5, 2004.
 - 7 Incorporated by reference to Form 8K dated November 3, 2004.
 - 8 Filed herewith.
 - 9 Filed herewith.
 - 10 Filed herewith.
 - 11 Incorporated by reference to Form 10SB12 B/A filed on October 19, 2000.

34

- 3.1.2 Bylaws of the Company¹²
- 3.2.3 The Certificate of Amendment amending the Certificate of Incorporation of the Company. Name change to Tiger Telematics, Inc.¹³
- 4.1 Form of specimen certificate for Common Stock of the Company¹⁴
- 4.1 Form of Subscription Agreement¹⁵
- 4.2 Form of Registration Rights Agreement¹⁶
- 4.3 Form of Warrant Agreement¹⁷
- 4.4 Risk Factors¹⁸
- 10.1 Building Lease Agreement for the Company's "big box superstore" located at 6001 Powerline Road, Ft. Lauderdale, FL.¹⁹
- 10.2 Building Lease Agreement for 700 S. Military Trail, Lake Worth, FL 3316320
- 10.3 2001 Stock Option Plan²¹
- 10.4 2005 Incentive Plan of Tiger Telematics, Inc.²²
- 10.5 Employment Agreement dated March 1, 2004, between the Company and Michael W. Carrender, as amended.²³
- 10.6 Employment Agreement dated March 1, 2004, among Gizmondo Europe, Ltd., the Company and Carl Freer, as amended.²⁴
- 10.7 Employment Agreement dated October 22, 2004, among Gizmondo Europe, Ltd., the Company and Steve Carroll, as amended.²⁵
- 10.8 Employment Agreement dated March 1, 2004, among Gizmondo Europe, Ltd., the Company and Stefan Eriksson, as amended.²⁶
- 10.9 Game Concept License Agreement dated August 4, 2005, between Gizmondo Europe, Ltd. and Game Factory Publishing, Ltd.²⁷

-
- 12 Incorporated by reference to Form 10SB12 B/A filed on October 19, 2000.
 - 13 Incorporated by reference to Form 8K dated June 6, 2002.
 - 14 Incorporated by reference to Company's Annual Report on Form 10-KSB for the year ended December 31, 2001.
 - 15 Incorporated by reference to Form 8K dated February 19, 2002.
 - 16 Incorporated by reference to Form 8K dated February 19, 2002.
 - 17 Incorporated by reference to Form 8K dated October 6, 2004.
 - 18 Incorporated by reference to Form 8K dated February 19, 2002.
 - 19 Incorporated by reference to Form 10Q second quarter June 30, 2001 filed on

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

- August 14, 2001.
20 Incorporated by reference to Form 10Q second quarter June 30, 2001 filed on August 14, 2001.
21 Incorporated by reference to Proxy Statement - July 11, 2001.
22 Filed herewith.
23 Filed herewith.
24 Filed herewith.
25 Filed herewith.
26 Filed herewith.
27 Filed herewith.

35

- 10.10 License Agreement dated September 2004, between Gizmondo Europe, Ltd. and Northern Lights Software, Ltd.28
14 Code of Business Conduct and of Ethics29
21 Subsidiaries of the Company30
21.1 Eagle Eye exclusive distributor Agreement - Scandinavia and Yugoslavia31
21.2 Automotive Software Agreement - Tiger Telematics Subsidiary32
21.3 Purchase of Games from SCi License Agreement33
21.4 Signing of 3 year Games Agreement for Gizmondo and Disney's Buena Vista Games34
31 Rule 13a-14(a)Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 200235
32 Section 1350 Certifications36

-
- 28 Filed herewith.
29 Filed herewith.
30 Filed herewith.
31 Incorporated by reference to Company's Annual Report on Form 10-KSB for the year ended December 31, 2001.
32 Incorporated by reference to Company's Annual Report on Form 10-KSB for the year ended December 31, 2001.
33 Incorporated by reference to Form 8K dated October 6, 2004.
34 Incorporated by reference to Proxy Statement - July 11, 2001.
35 Filed herewith.
36 Filed herewith.

36

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Jacksonville, State of Florida, on September 26, 2005.

Tiger Telematics, Inc.

By: /S/ Michael W. Carrender

Michael W. Carrender
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael Carrender his true and lawful attorney-in-fact and agents, with full power of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on September 26, 2005.

Signature -----	Title -----
/s/ Michael W. Carrender ----- Michael W. Carrender	Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)
/s/ Carl Freer ----- Carl Freer	Chairman and Director
/s/ Steve Carroll ----- Steve Carroll	Director

INDEX TO FINANCIAL STATEMENTS

	Page ----
Financial Statements	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-6

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Consolidated Statements of Operations	F-7
Consolidated Statements of Stockholders' Deficiency	F-8
Consolidated Statements of Cash Flows	F-9
Notes to Consolidated Financial Statements	F-11

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Tiger Telematics, Inc. and Subsidiaries, Inc.

We have audited the accompanying consolidated balance sheets of Tiger Telematics, Inc. and Subsidiaries, Inc. as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholder's deficiency, and cash flows for the each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tiger Telematics, Inc. and Subsidiaries, Inc. as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the financial statements, the Company has suffered recurring losses from operations and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty

GOLDSTEIN GOLUB KESSLER LLP
New York, New York

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

August 24, 2005, except for the last paragraph of Note K, as to which the date is September 2, 2005, Note P, as to which the date is September 8, 2005, and the second to last paragraph of Note K, as to which the date is September 20, 2005.

F-2

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Tiger Telematics, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Tiger Telematics, Inc. did not maintain effective internal control over financial reporting as of December 31, 2004, because of the effect of material weaknesses identified in management's assessment, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As described in Management's Report on Internal Controls Over Financial Reporting, management excluded from their assessment the internal control over financial reporting of Warthog Games Limited ("Warthog"), which was acquired in November 2004, representing approximately .5% of consolidated net losses during 2004. Accordingly, our audit did not include the internal control over financial reporting of Warthog. Tiger Telematics, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As of December 31, 2004, the following material weaknesses have been identified and included in management's assessment:

- o The design of the Company's corporate governance framework does not currently meet the requirements of COSO's Internal Control-Integrated Framework in the following areas:
 - The Company does not have an independent audit committee;
 - The Company does not have a fraud training program for employees, or a mechanism to report fraud to the board of directors; and
 - The Company does not have formalized and documented HR policies and procedures.
- o Segregation of duties are inadequate, which impacted the Company's financial reporting controls, taxation calculation and reporting controls, expenditure controls and information technology controls;
- o There is an insufficient number of qualified personnel in the human resources and payroll functions to maintain effective controls with respect to hiring of personnel; maintenance of employee records; payroll processing, including a lack of segregation of duties; and anti fraud measures including inadequate policies for employee expenses;
- o Controls and accounting policies over capitalization, disposition and evaluation of useful lives of fixed assets are inadequate;
- o There are inadequate controls over purchases including authorization, recording, ordering, confirmation of the receipt of goods or services, segregation of duties, and payment of suppliers;
- o Information Technology back-up procedures are inadequate, as back up media was held on site and not at a remote location;
- o There are inadequate controls over the retention of records, returns to the tax authorities, review and reconciliation of accounts for UK Value Added Tax (VAT) on purchases; and
- o Controls over the financial statements closing process are inadequate due to the lack of independent and timely review; lack of procedures to ensure consistency and completeness of the process; and lack of management information to enable effective review of the Company's performance.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2004 consolidated financial statements, and this report does not affect our report dated August 24, 2005, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management's assessment that Tiger Telematics, Inc. did not maintain effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by COSO. Also, in our opinion, because of the effects of the material weaknesses described above on the achievement of the objectives of the internal control criteria, Tiger Telematics, Inc. has not maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Tiger Telematics, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' deficiency and

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

comprehensive loss, and cash flows for each of the three years in the period ended December 31, 2004 of Tiger Telematics, Inc. and our report dated August 24, 2005 expressed an unqualified opinion on those consolidated financial statements.

We do not express an opinion or any other form of assurance on management's statement referring to their continuing evaluation of identified material weaknesses and employment of a third party consultant to assist in identifying remediation actions.

GOLDSTEIN GOLUB KESSLER LLP
 New York, New York
 August 24, 2005

F-5

TIGER TELEMATICS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS December 31, 2004 and 2003

	2004	2003
	-----	-----
ASSETS		
Current Assets		
Cash	\$ 4,653,559	\$ 8,959
Accounts receivable	616,571	2,104
Inventories	38,532	35,570
Other receivables	3,129,235	--
Due from employees	204,081	--
Prepaid expenses	1,622,562	45,383
	-----	-----
Total current assets	10,264,540	92,016
Property and Equipment, net	1,105,853	344,376
Other Assets		
Goodwill	3,975,670	--
Other intangible assets	1,901,765	--
Deferred tax asset, net of valuation allowance of \$45,000,000 in 2004 and \$7,640,000 in 2003	--	--
	-----	-----

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

	\$ 17,247,828	\$ 436,392
	=====	=====
LIABILITIES AND STOCKHOLDERS' Deficiency		
Current Liabilities		
Accounts payable	\$ 13,976,402	\$ 3,667,646
Amount due stockholders	248,266	9,191
Notes payable - current portion	78,937	37,140
Accrued expenses	15,710,374	1,750,005
Deposits on common stock	1,871,730	2,247,891
Contingent liabilities arising from discontinued operations	1,168,243	1,168,243
	-----	-----
Total current liabilities	33,053,952	8,880,116
	-----	-----
Notes payable after one year	408,638	123,743
	-----	-----
Total Liabilities	33,462,590	9,003,859
	-----	-----
COMMITMENTS AND CONTINGENCIES		
Stockholders' Deficiency		
Common stock - 0.001 par value authorized 500,000,000 and 250,000,000 shares in 2004 and 2003 respectively. Issued and outstanding 36,306,607 and 9,498,105 in 2004 and 2003 respectively		
	36,307	9,498
Additional paid-in-capital	107,017,140	13,051,547
Accumulated other comprehensive loss	(3,112,766)	(763,732)
Deficit	(120,155,443)	(20,864,780)
	-----	-----
Stockholders' deficiency	(16,214,762)	(8,567,467)
	-----	-----
	\$ 17,247,828	\$ 436,392
	=====	=====

See Notes to Consolidated Financial Statements

F-6

TIGER TELEMATICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
	-----	-----	-----
Net Sales	\$ 726,225	\$ 8,317	\$ 283,
Cost of goods sold	409,855	13,596	384,
	-----	-----	-----
Gross profit (loss)	316,370	(5,279)	(101,
	-----	-----	-----
Operating expenses			

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Selling expense	13,814,076	683,708	597,
General and administrative	83,677,812	5,581,750	5,171,
	-----	-----	-----
Total operating expenses	97,491,888	6,265,458	5,768,
	-----	-----	-----
Operating Loss	(97,175,518)	(6,270,737)	(5,870,
	-----	-----	-----
Other income (expense)			
Impairment of goodwill	(55,777)	--	(4,884,
Loss on extinguishment of debt instruments	--	(1,543,730)	--
Gain on sale of subsidiaries	--	--	248,
Other	(2,006,271)	47,442	(189,
Interest expense	(53,097)	(45,424)	(37,
	-----	-----	-----
	(2,115,145)	(1,541,712)	(4,864,
	-----	-----	-----
Loss from continuing operations	(99,290,663)	(7,812,449)	(10,734,
Loss from discontinued operations	--	--	(353,
	-----	-----	-----
Net loss	\$ (99,290,663)	\$ (7,812,449)	\$ (11,087,
	=====	=====	=====
Basic and diluted net loss per common share:			
Loss from continuing operations	\$ (5.02)	\$ (1.66)	\$ (3
	=====	=====	=====
Loss from discontinued operations	\$ --	\$ --	\$ (0
	=====	=====	=====
Net loss	\$ (5.02)	\$ (1.66)	\$ (3
	=====	=====	=====
Weighted average shares outstanding (basic and diluted)	\$ 19,785,471	\$ 4,710,208	\$ 2,822,
	=====	=====	=====

See Notes to Consolidated Financial Statements

F-7

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
For the years ended December 31, 2004, 2003 and 2002

	Common Stock Share	Amount	Additional Paid-in Capital	Accumulated other Comprehensive Loss
	-----	-----	-----	-----
Balance (deficiency)				

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

December 31, 2001	2,235,467	2,235	\$ 567,720	\$ --
Issuance of common stock and warrants:				
Private placement	100,498	100	876,573	--
Conversion of notes payable and amounts due Stockholders	335,361	335	1,987,754	--
Acquisition of Tiger Telematics Limited	280,000	280	2,799,720	--
Acquisition of Comworxx Inc. Services	170,531	171	1,065,646	--
	105,600	106	446,352	--
Net Loss	--	--	--	--
Balance (deficiency)				
December 31, 2002	3,227,457	3,227	7,743,765	--
Issuance of common stock:				
Private placement	2,372,034	2,372	1,742,718	--
Conversion of notes payable and amounts due stockholders	3,471,514	3,472	3,271,016	--
Services	427,100	427	294,048	--
Other comprehensive loss:				
Foreign currency translation adjustment	--	--	--	(763,732)
Net Loss	--	--	--	(7,812,449)
Total Comprehensive Loss	--	--	--	(8,576,181)
Balance (deficiency)				
December 31, 2003	9,498,105	9,498	13,051,547	(763,732)
Issuance of common stock:				
Private placement	13,284,731	13,285	55,106,701	--
Conversion of notes payable	80,000	80	107,570	--
Services	10,522,881	10,523	29,609,000	--
Stock based Employee compensation	1,223,024	1,223	4,693,155	--
Acquisition of subsidiaries	1,697,866	1,698	4,449,167	--
Other comprehensive loss:				
Foreign currency translation adjustment	--	--	--	(2,349,034)
Net loss	--	--	--	(99,290,663)
Total comprehensive loss	--	--	--	(101,639,697)
Balance (deficiency)				
December 31, 2004	36,306,607	\$ 36,307	\$ 107,017,140	\$ (3,112,766)

See Notes to Consolidated Financial Statements

F-8

TIGER TELEMATICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

For the years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Cash Flows from Operating Activities:			
Loss from continuing operations	\$ (99,290,663)	\$ (7,812,449)	\$ (10,734,
Loss from discontinued operations	--	--	(353,
	-----	-----	-----
Net Loss	(99,290,663)	(7,812,449)	(11,087,
Other comprehensive loss	(2,349,034)	(763,732)	-
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	496,374	74,173	63,
Amortization of intangible assets	--	--	115,
Loss (gain) on currency transactions	--	--	189,
Common stock issued for operating expenses	34,313,901	294,475	446,
Gain of sale of subsidiary	--	--	(248,
Write down of assets of acquired company	--	--	407,
Impairment of goodwill and other intangibles	55,777	--	4,884,
Loss on extinguishment of debt instruments	--	1,543,730	-
Changes in assets and liabilities:			
Decrease in assets of discontinued operations	--	--	1,278,
Increase (Decrease) in liabilities of discontinued operations	--	--	(735,
(Increase) decrease in assets:			
Accounts receivable	338,974	114,544	(116,
Other receivables	(1,774,256)	--	-
Inventories	99,265	127,919	(163,
Prepaid expenses	(1,479,812)	83,821	(129,
Increase (decrease) in liabilities:			
Accounts payable	9,382,130	2,216,648	1,450,
Accrued expenses	12,594,251	(211,639)	1,961,
Net liabilities related to sold operations	--	15,530	1,152,
	-----	-----	-----
Net cash used in operating activities	(47,613,093)	(4,316,980)	(529,
Cash Flows From Investing Activities:			
Purchase of property and equipment	(1,120,795)	(181,353)	(237,
Acquisition of subsidiary - net of cash received	(1,926,667)	--	-
	-----	-----	-----
Net cash used in investing activities	(3,047,462)	(181,353)	(237,
Cash Flows From Financing Activities:			
Issuance of common stock and warrants	55,119,986	1,745,090	876,
Net change in deposits on common stock	(376,161)	2,247,891	-
Loans and advances from stockholders	234,638	1,334,075	204,
Repayment to stockholders	--	(804,911)	(534,
Proceeds from notes payable	369,571	--	184,
Payments on debt	(42,879)	(14,853)	(8,
Other	--	--	23,
	-----	-----	-----
Net cash provided by financing activities	55,305,155	4,507,292	745,

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Net change in cash 4,644,600 8,959 (20,

See Notes to Consolidated Financial Statements
F-9

TIGER TELEMATICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Continued

	2004	2003	2002
	-----	-----	-----
Cash:			
Beginning of year	8,959	--	20,331
	-----	-----	-----
End of year	\$ 4,653,559	\$ 8,959	\$ --
	=====	=====	=====
Supplemental disclosure of Cash Flow Information:			
Cash paid for interest	\$ 53,097	\$ 45,424	\$ 19,489
	=====	=====	=====
Financing Activities:			
Conversion of trade notes to common stock	\$ 97,650	\$ --	\$ --
Conversion of stockholder debt to common stock	\$ 10,000	\$ 3,274,488	\$ 1,988,089
	-----	-----	-----
	\$ 107,650	\$ 3,274,488	\$ 1,988,089
	=====	=====	=====
Investing Activities:			
Cash paid for subsidiary	\$ 1,964,485	\$ --	\$ --
Common stock issued for acquisition	4,450,865	--	3,865,817
Liabilities in excess of assets acquired	284,531	--	--
	-----	-----	-----
	\$ 6,699,881	\$ --	\$ 3,865,817
	=====	=====	=====
Acquisition of subsidiaries:			
Goodwill	\$ 4,031,447	\$ --	\$ 3,714,818
Other intangible assets	1,901,765	--	3,263,050
Accounts receivable	953,441	--	507,307
Other receivables	1,559,060	--	--
Inventories	102,227	--	105,472
Prepaid expenses	97,367	--	24,838
Property and equipment	137,056	--	282,065
Accounts payable	(742,616)	--	(891,632)
Overdraft	(184,010)	--	--
Due to related parties	(14,437)	--	(944,962)
Accrued expenses	(1,463,768)	--	(2,195,927)
Cash and stock paid for subsidiaries	(6,415,350)	--	(3,865,817)
	-----	-----	-----
Cash received	\$ 37,818	\$ --	\$ 788

See Notes to Consolidated Financial Statements

F-10

NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business:

Tiger Telematics, Inc. (the Company or Tiger) and its wholly owned subsidiaries are principally engaged in the business of developing and marketing the Gizmondo wireless handheld multi-entertainment gaming device. During 2002 the Company's principal business was developing and marketing telematics products principally in Western Europe.

The Company (previously known as Floor Decor, Inc.) and its then wholly owned subsidiaries, Media Flooring, Inc. and Floor Decor LLC owned and operated retail stores in Florida. In 2002, the Company sold this business and changed its name from Floor Decor, Inc. to Tiger Telematics, Inc. Prior to its sale in August 2002 and its classification as a discontinued operation, the Company's primary business was retail floor covering.

In February 2002, the Company acquired Eagle Eye Scandinavian Distributions, Ltd., a developer and distributor of telematics products and services to the business-to-business segment in Europe and changed its name to Tiger Telematics, Ltd. During most of 2002, the Company's principal business was developing and selling telematics products and services, conducted through Tiger Telematics, Ltd. This subsidiary was sold on December 17, 2002.

The Company started Tiger Telematics Europe, Ltd. (now known as Gizmondo Europe, Ltd.) in late 2002 to focus on developing new telematics products including next generation fleet telematics products and child tracker products.

In early 2003 the Company began developing a new multi-entertainment wireless handheld gaming device referred to as Gizmondo. Since then the Company's primary business strategy has been to develop and market Gizmondo. The Company initially launched a limited production version of the Gizmondo in the UK on March 19, 2005, and expects to launch the full-scale production of Gizmondo in the fourth quarter of 2005. The Gizmondo is powered by a Microsoft Windows CE.net platform, has a 2.8-inch TFT color screen and a Samsung ARM9 400Mhz processor and incorporates the GoForce 3D 4500 NVIDIA graphics accelerator. Gizmondo provides cutting-edge gaming, multimedia messaging, an MP3 music player, Mpeg 4 movie playing capability, a digital camera and a GPRS network link to allow wide-area network gaming. Additionally, Gizmondo contains a GPS chip for location based services, is equipped with Bluetooth for use in multi-player gaming and accepts MMC card accessories.

Significant Accounting Policies:

Going Concern:

The Company has sustained net losses aggregating over \$118.2 million over the past three years and at December 31, 2004 had a net working capital deficiency of \$22.8 million.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

During that period, over \$35 million of expenses were funded by issuing restricted common stock in exchange for services and did not require the use of cash.

F-11

Management anticipates proceeds from sales of Gizmondo units and accessories to increase significantly after the U.S. launch of the product in the fourth quarter of 2004. Management also anticipates the issuance of equity securities to meet working capital requirements and to fund development costs incurred in connection with developing Telematics related products that the Company believes will enhance its operations. Additionally, the Company borrowed approximately \$21.2 million from shareholders on a short-term basis and management believes that future borrowing are available from shareholders if needed.

In July 2005, the Company instituted significant cost savings measures including: closing unneeded facilities, reducing staff by over 100 employees and instituting other cost savings measures.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary in the event the Company cannot continue as a going concern.

Principles of Consolidation:

The consolidated financial statements include the accounts of Tiger Telematics, Inc. (Company), and its majority owned subsidiaries and the discontinued operations of Floor Decor Inc. and its subsidiaries through the date of their divestiture in 2002. All intercompany transactions are eliminated in consolidation.

Use of Estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Common Stock:

The shares of common stock issued as payment for services, employee bonuses, acquisitions and debt payments are restricted securities and may not be currently sold. The "fair value" of these restricted securities is determined by an independent business valuation expert on a quarterly basis. Management believes that the appraised value is a better indication of the fair value of the restricted shares issued than the price of freely traded shares in the open market due to the large number of issued restricted shares.

Foreign Currency Translation:

Results of operations and cash flows are translated at average exchange rates and assets and liabilities are translated at end-of-period exchange rates for operations outside the United States that prepare financial statements in other than the US dollar (generally in the UK). Translation adjustments are included in other comprehensive income (loss) until such time as the entity that generated the adjustments is sold. Gains and losses from foreign currency transactions are not material and are reflected in other income (loss), net.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Inventories:

Inventories are stated at the lower of cost (specific identification basis) or market, and consist of electronic components.

Property and Equipment:

Property and equipment is stated at cost. Depreciation is provided by straight-line methods over their estimated service lives. Vehicles and furniture, fixtures and equipment are depreciated over periods from 3 to 7 years.

F-12

Income Taxes:

Income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and dates on the date of enactment.

Stock-Based Compensation:

In July 2001, the stockholders approved the adoption of the Company's 2001 Employee Stock Option Plan (the "Plan"). Stock options are granted at a price equal to the market value of the Common Stock at the date of grant, generally expire 10 years from the date of the grant and vest equally over a three-year service period.

	2004 -----	2003 -----	2002 -----
Total common shares available for grant	176,000	176,000	320,000
Options to purchase common shares granted at \$1.50 per share	-0-	-0-	144,000
Options exercised	-0-	-0-	-0-
Options forfeited/expired	-0-	-0-	-0-
Options available for grant	176,000	176,000	176,000
Shares vested during the year	36,000	36,000	36,000
Shares granted but unvested	36,000	72,000	108,000

The 144,000 stock options awarded in 2002 were all to one person at an exercise price of \$1.50 per share.

The Company uses the intrinsic-value method of accounting for the Plan. Under this method, compensation cost is the excess, if any, of the quoted market price over the amount an employee must pay to acquire the stock at the date of the grant. The Company generally grants options with an exercise price equal to the market value of the common stock at the date of grant.

The Black-Scholes option price model was used to estimate the fair value as of the date of grant using the following assumptions for all years presented:

Dividend yield	0%
Risk-free interest rates	4.35%

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Volatility	163.00%
Expected option term (years)	9.61
Weighted-average fair value of options granted during the year	\$ 1.50

If the Company had determined compensation expense for the Plan based on the fair value at the grant dates consistent with the method of SFAS No. 123 and SFAS No. 148, the Company's pro-forma net loss and basic loss per share would have been as follows: (In thousands except for per share amounts)

F-13

	2004	2003	2002
Net loss as reported	\$ (99,291)	\$ (7,812)	\$ (11,088)
Stock based compensation expense, net of tax (\$0) included in the determination of net loss as reported	\$ 4,694	--	--
Stock based compensation expense under the fair value based method, net of tax (\$0)	\$ (4,748)	\$ (54)	\$ (54)
Pro forma net loss	\$ (99,345)	\$ (7,866)	\$ (11,142)
Net loss per share, as reported	\$ (5.02)	\$ (1.66)	\$ (3.93)
Pro forma net loss per share	\$ (5.02)	\$ (1.67)	\$ (3.95)

2005 Stock Incentive Plan

The Company adopted the Tiger Telematics, Inc. 2005 Incentive Plan (the "2005 Plan") on May 13, 2005. The 2005 Plan provides for the granting of stock awards to Board members, employees, professional advisors and other independent contractors to provide an incentive to such individuals who provide services to the Company or its subsidiary Companies who are in a position to contribute materially to the long-term success of the Company, to increase their proprietary interest in the success of the Company and to aid in attracting and retaining directors, employees and independent contractors of outstanding ability.

There are 1,000,000 shares of the Company's common stock, \$.001 par value, reserved for issuance under the 2005 Plan. Such shares of common stock may be authorized, but unissued shares of common stock, or reacquired shares. In the event that any shares of common stock that are subject to the 2005 Plan are forfeited or redeemed by the Company, such shares may again be awarded under the 2005 Plan.

No certificate for award shares distributed pursuant to the 2005 Plan shall be issued until the Company shall have taken such action, if any, as is required to comply with the provisions of the Securities Act of 1933, as amended, the Securities Act of 1934, as amended, any other applicable laws and the requirements of any exchange in which the award shares may, at the time, be listed.

No shares have been awarded under the 2005 Plan.

Goodwill:

Goodwill is recorded as the difference, if any, between the aggregate

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired.

SFAS 142, "Goodwill and Other Intangible Assets" requires that intangible assets with definite useful lives be amortized over their respective useful lives to their residual values, and all intangible assets be reviewed for impairment.

The Company tests goodwill for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. The performance of the test involves a two-step process. The first step involves comparing the fair values of the applicable reporting units with their aggregate carrying value, including goodwill. The Company generally determines the fair value of its reporting units using the income approach methodology of valuation that includes the discounted cash flow method. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step. The second test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recorded.

F-14

Circumstances that could trigger an impairment test include but are not limited to: a significant adverse change in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed of; results of testing for recoverability of a significant asset group within a reporting unit and recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

Impairment:

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of are separately presented on the balance sheet and reported at the lower of their carrying amount or fair value less costs to sell, and are no longer depreciated.

Earnings (Loss) per Share:

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares, including stock options and warrants, are excluded from the computation since their effect, for all years presented, are anti-dilutive.

Research and Development Costs:

Research and development costs are expensed as incurred. All of the Company's efforts are focused on developing the Gizmondo. Research and development costs were \$27,200,000, \$3,000,000 and \$0 for 2004, 2003 and 2002 respectively.

Comprehensive (Loss) Income:

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

The Company reports comprehensive (loss) income in accordance with SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 established a standard for reporting and displaying other comprehensive (loss) income and its components within the financial statements. Loss on foreign currency exchange is the only component of the Company's other comprehensive loss.

Cash:

The Company maintains cash in bank deposit accounts, which at times, exceed insured limits. The Company has not experienced any losses on these accounts.

F-15

Revenue Recognition:

Sales are recognized when merchandise is delivered and accepted by the customer, net of estimated sales returns, discounts and allowances.

Advertising Cost:

Advertising costs are included in selling expense and are expensed in the period incurred. Such costs were \$2,177,000, \$684,000 and \$18,500 for 2004, 2003 and 2002, respectively.

Fair Value of Financial Instruments:

Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Statements" requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. SFAS No. 107 excludes certain financial instruments and all non-financial assets and liabilities from its disclosure requirements. The carrying value of current assets such as receivables, and liabilities such as payables, approximate fair value due to the short maturity of instruments. The Company has no off balance sheet financial instruments.

Recently Issued Accounting Standards:

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R (Revised 2004), Share-Based Payment ("SFAS No. 123R"), which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on alternative fair value models. The share-based compensation cost will be measured based on the fair value of the equity or liability instruments issued. The Company currently disclosed pro forma compensation expense quarterly and annually by calculating the stock option grants' fair value using Black-Scholes model and disclosing the impact on net income and net income per share in a Note to the Consolidated Financial statements. Upon adoption, pro forma disclosure will no longer be an alternative. The table above reflects the estimated impact that such a change in accounting treatment would have had on the Company's net loss and net loss per share if it had been in effect during the year ended December 31, 2004. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as financing cash flows and increase net financing cash flows in periods after adoption. The Company will begin to apply

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

SFAS No. 123R using the most appropriate fair value model as of the interim reporting period beginning January 1, 2006.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4." SFAS No. 151 retains the general principle of ARB No. 43, Chapter 4, "Inventory Pricing," that inventories are presumed to be stated at cost; however, it amends ARB No. 43 to clarify that abnormal amounts of idle facilities, freight, handling costs and spoilage should be recognized as current period expenses. Also, SFAS No. 151 requires fixed overhead costs be allocated to inventories based on normal production capacity. The guidance in SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company believes that implementing SFAS No. 151 should not have a material impact on its financial position and results of operations.

F-16

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle unless it is impracticable to do so. SFAS No. 154 also provides that a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate effected by a change in accounting principle and that correction of errors in previously issued financial statements should be termed a "restatement." SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption of this standard is permitted for accounting changes and corrections of errors made in fiscal years beginning after June 1, 2005. The Company will apply the provisions of this statement effective January 1, 2006 and believes that implementing SFAS No. 154 should not have a material impact on its financial position and results of operations.

NOTE B - REVERSE STOCK SPLIT AND INCREASE IN AUTHORIZED SHARES

In July 2004, the Company's shareholders approved a 1 for 25 reverse stock split. The number of authorized shares and par value were unchanged. All common stock amounts have been adjusted to reflect this change for all periods presented.

In May 2003, the Company's shareholders approved an increase in the number of authorized shares from 100 million shares to 250 million shares. In January 2004, the authorized shares were increased to 500 million shares.

NOTE C - EQUITY TRANSACTIONS

Private placements of common stock:

The Company entered into various private placement transactions with individual and institutional investors and sold 13,284,731, 2,372,034 and 100,498 shares of its common stock in 2004, 2003 and 2002, respectively, at per share prices ranging from \$.25 to \$15.99 in 2004, \$.25 to \$1.25 in 2003 and \$10.00 in 2002.

At December 31, 2004, 36,306,607 shares of common stock were issued and outstanding. Through August 23, 2005, the Company issued approximately 24.7 million additional shares in numerous private transactions (a) for cash, (b) to settle debt, accounts payable or other liabilities, (c) purchase goods or services provided by vendors, strategic partners, professionals, consultants and employees and (d) in connection with the acquisition of businesses. In each case the Company recorded capital surplus based upon the fair value of the Company's common stock at the time of issuance or agreement to issue. The aggregate amount

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

recorded was approximately \$200 million, including the above-described shares.

F-17

Following is a recap of additional shares issued after December 31, 2004:

	Number of Shares	Price Per Share	Amount
Balance, December 31, 2004	36,306,607		\$107,053,447
January 1, 2005 to June 30, 2005:			
Sale of Securities	2,512,799	\$3.50 to \$20.00	\$ 38,534,695
Employee Compensation	4,916,676	\$4.31 to \$7.92	\$ 37,213,722
Services	12,008,885	\$4.31 to \$7.92	\$ 80,021,481
Contingent shares issued for games completed	600,000	\$6.96	\$ 4,176,000
Totals - Six months ended June 30, 2005	20,038,360		\$159,945,898
July 1 to August 23, 2005:			
Sale of Securities	3,576,478	\$3.50 to \$20.00	\$ 34,549,007
Services	1,146,867	\$5.20	\$ 5,963,708
Totals at August 23, 2005	61,068,312		\$307,512,060

Additional 2002 Transactions:

Shareholder debt of \$1,988,089 was converted to 335,361 shares of common stock as follows:

In October 2002, certain stockholders converted \$455,176 of debt to 182,070 shares of common stock. The conversion of these stockholders was done at the prevailing market price as of the date of the conversion.

In October 2002, several former Tiger Telematics Ltd. shareholders agreed to convert \$610,190 of their shareholder debt into common stock and warrants to purchase common stock at a price of \$18.75 per share. The conversion rate was one share of common stock and one warrant for every \$10.00 of debt. The debt of was converted in October 2002 into 61,019 shares of common stock and 61,019 warrants. The warrants expired unissued on December 31, 2003.

During the first quarter of 2002, certain shareholders and others converted \$922,723 of notes payable and amounts due shareholders into 92,272 shares of common stock. For each share of common stock received, they also received a warrant representing the right to purchase one additional share of common stock at \$18.75 per share. The warrants expired unexercised on December 31, 2003.

See Note I - Acquisitions for descriptions of stock issued for the Tiger Telematics Limited and Comworxx, Inc. acquisitions.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

F-18

The Company exchanged stock for services received as follows: lease expense - 20,000 shares valued at \$8.61 per share, \$172,318; and general consulting services - 85,600 shares valued at \$1.25 to \$10.00 per share, \$274,140.

Additional 2003 Transactions:

Shareholder debt of \$3,274,488 was converted into 3,471,514 shares of common stock as follows:

During the fourth quarter of 2003, the Company converted \$1,420,000 of debt to a stockholder of the Company and an officer of a subsidiary of the Company to 2,840,000 shares of common stock at the rate of \$.50 per share. This person became a director and Chairman of the Board of the Company in August 2004.

During the fourth quarter of 2003 the Company converted \$226,730 of debt owed to an individual into 453,460 shares of common stock valued at \$.50 per share and issued 800,000 shares valued at \$1,800,000 to this person for services rendered to the Company.

Also during 2003, the Company converted \$84,028 of debt owed to other shareholders and issued 178,054 shares valued at \$.50 per share.

All of these conversions were approved by the Company's board of directors. The Company recorded a loss in 2003 of \$1,543,730 on the conversion of this shareholder debt.

The company purchased general consulting services valued at \$294,475 in exchange for 427,100 shares of common stock valued from \$.25 to \$1.25 per share. Included in those totals was one transaction whereby the Company issued 96,000 shares of common stock to settle a liability, valued at \$.25 per share. The excess of the amount owed the value of the shares issues (\$67,200) was credited to operations in 2003.

2004 Transactions:

The Company converted \$107,650 of debt (including \$10,000 owed to a shareholder) by issuing 80,000 shares of stock valued at \$.50 to 3.51 per share, the fair value at the date of issuance.

See Note I-Acquisitions for descriptions of stock issued for the ISIS Models Ltd., Indie Studios and Warthog Plc. acquisitions.

The Company issued 10,522,881 shares of common stock valued from \$.50 to \$5.71 per share to purchase goods and services as follows:

Service	Shares Issued	Per share	Amount
General consulting	10,024,917	\$.50 to \$5.71	\$28,001,140
Marketing	497,964	\$3.31	1,618,383
Totals	10,522,881		\$29,619,523
	=====		=====

The Company also issued 1,223,024 shares, valued between \$3.25 and \$5.71 per share, to its employees. The total value of shares issued to employees totaled \$4,694,378.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

F-19

NOTE D - WARRANTS

No warrants were issued during 2003. There were 319,789 warrants outstanding at the beginning of 2003, all of which expired unissued at December 31, 2003.

During 2004, the Company issued warrants to purchase 250,000 shares of common stock at an exercise price of \$5 per share. The warrants are exercisable immediately and expire on September 30, 2009. The Company also had outstanding warrants to purchase 245,525 shares of common stock at an exercise price of \$11.25 per share. These warrants are exercisable immediately and expire on June 30, 2006. At December 31, 2004, 495,525 warrants were outstanding. None have been exercised.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2004, was as follows:

	2004	2003
	----	----
Vehicles	\$ 914,125	\$ 226,826
Furniture, fixtures and equipment	762,275	191,723
	-----	-----
	1,676,400	418,549
Less accumulated depreciation	570,547	74,173
	-----	-----
	\$1,105,853	\$ 344,376
	=====	=====

Depreciation expense was \$496,374, \$74,173 and \$63,924 for the years ended December 31, 2004, 2003 and 2002, respectively.

NOTE F - INCOME TAX MATTERS

The Company has net operating loss carry forwards as of December 31, 2004 for United States federal income tax purposes of approximately \$120,000,000, expiring through 2024. Any future benefit to be realized from these net operating loss and contribution carry forwards is dependent upon the Company earning sufficient future income taxable in the United States during the periods that the carry forwards are available. The loss carry forwards also contain restrictions on the type of taxable income that they can be used to offset. Due to these uncertainties, the Company has fully offset any deferred tax benefits otherwise relating to the net operating loss carry forward with a valuation allowance of approximately \$45,000,000. The Company also has undetermined losses that may be off set against future income in the UK, expiring in 2021. Any future benefits to be realized from the losses is dependent upon the company earnings sufficient future taxable income in the UK during the periods that the losses offsettable are available. Due to these uncertainties the Company has fully offset any deferred tax benefits relating to the losses.

	2004	2003
	-----	-----
Income Tax Benefit		
Tax provision at statutory rates	\$ 34,650,000	\$ 2,600,000
State income taxes - net	3,217,500	240,000
Effect of lower tax brackets	(13,000)	(13,000)

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Other	(494,500)	(227,000)
	-----	-----
	37,360,000	2,600,000
Balance at beginning of year	7,640,000	5,040,000
	-----	-----
Balance at end of year	\$ 45,000,000	\$ 7,640,000
	=====	=====
Valuation allowance	\$ 45,000,000	\$ 7,640,000
	=====	=====

F-20

NOTE G - OPERATING LEASES

The Company leases office and warehouse facilities in the United States and United Kingdom under month-to-month and non-cancelable leases expiring from 2005 to 2012. Rent expense for 2004, 2003 and 2002 was \$543,000, \$173,000 and \$296,000, respectively. This was after reclassification of \$241,280 of flooring rental expenses to discontinued operations in 2002. Certain of the leases provide for renewal options and the payment of real estate taxes and other occupancy costs.

The Company also leases automobiles under operating leases expiring within five to forty-six months. Auto lease expense was \$381,000, \$4,000 and \$0 for 2004, 2003 and 2002, respectively.

Future minimum rental payments required under non-cancelable leases for the next five years are as follows:

	Autos	Facilities
	-----	-----
2005	\$105,000	\$951,000
2006	\$100,000	\$994,000
2007	\$56,000	\$905,000
2008	\$18,000	\$899,000
2009	\$0	\$802,000
Later Years	\$0	\$490,000
	-----	-----
Total	\$ 279,000	\$5,041,000
	=====	=====

NOTE H - NOTES PAYABLE

	2004	2003
	-----	-----
The notes are payable to a bank in equal monthly installments, with interest ranging from 10.4% to 14% and are collateralized by automobiles	\$ 487,575	\$ 160,883
Less amount due within one year	78,937	37,140
	-----	-----
Long term portion of notes payable	\$ 408,638	\$ 123,743
	=====	=====

Principal payments for the next four years are as follows: 2005 - \$78,937; 2006

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

- \$97,922; 2007 - \$34,433; and 2008 - \$276,283.

A subsidiary of the Company, Warthog, has a \$184,400 line of credit with a balance of \$121,500 outstanding at December 31, 2004. The note is without collateral, due on demand and was repaid in 2005. Interest is compute at 3% over the bank's base rate. The outstanding balance is included in accounts payable in the balance sheet.

F-21

NOTE I - ACQUISITIONS

The Company applied SFAS No. 141, "Business Combinations", to account for business acquisitions.

2002 Acquisitions

Tiger Telematics (UK) Ltd. (Tiger Ltd)

On February 4, 2002, the Company purchased Eagle Eye Scandinavian Distribution Limited, an English private limited Company, and changed its name to Tiger Telematics (UK) Ltd. The Company purchased all of the outstanding stock of Eagle Eye in exchange for 280,000 shares of the Company's common stock valued at \$2,800,000. Tiger Telematics Ltd. was an early stage company engaged in the distribution of telematics products.

The negative equity of Tiger Telematics Ltd. of \$463,050 as of the acquisition date resulted in an excess of acquisition cost over tangible asset value of \$3,263,050.

The excess of the acquisition price over the tangible asset valuation was allocated to intangible assets consisting of \$2,800,000 to an order backlog of pending orders for product to be shipped over future periods and \$463,050 to distribution rights to be amortized quarterly over the remaining life of the distribution agreement.

During the quarter ended September 30, 2002, the Company determined that the value of the order book was impaired and wrote-off \$1,000,000. The impairment was based on the failure to ship orders as originally projected and the change in Tiger Telematics Ltd.'s business model to derive its income from monthly revenue generated by its wireless telecom provider's partnership arrangements as opposed to generating revenue primarily from the sale of hardware. In the fourth quarter of 2002, the Company wrote off the remainder of the intangible asset of \$2,147,288 (net of \$115,762 of accumulated amortization).

In the fourth quarter of 2002 the Company sold the common stock of Tiger Telematics Ltd. to an unrelated third party. The agreement called for the transfer of certain assets and debt from Tiger Telematics Ltd. to Tiger Europe prior to closing. The transaction was done in exchange for a Royalty Agreement from the buyer and Tiger Telematics Ltd. to pay a percentage of sales over the next 10 years. Due to the uncertainty of the future payments, the Company placed a zero value on the agreement and did not record the future stream of payments on the balance sheet. The Company recorded a \$ 248,009 gain of the sale representing the excess of liabilities over assets transferred to the buyer.

Comworxx, Inc.

On June 25, 2002, Tiger USA purchased all of the assets of Comworxx, Inc. in exchange for 170,531 shares of the Company's common stock valued at \$1,065,817. The purchase agreement provided for the issuance of 316,700 additional shares

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

based on the future price of Tiger's common stock and other factors.

In 2004, the Company entered into a settlement agreement whereby 160,000 shares were issued in satisfaction of the full contingent share issuance.

F-22

Based on a post acquisition review of assets, inventory, receivables and property plant and equipment were written down to the current estimated value as of the acquisition date. The write-downs created an additional excess of liabilities over tangible assets of \$669,628 in 2002.

The acquisition price over the tangible asset valuation was assigned to three intangible assets. Due to the position in the marketplace and funding issues associated with the acquisition, the Company believed that the goodwill was impaired and wrote off all of the goodwill of \$1,735,445 in the quarter ended June 30, 2002.

In the third quarter of 2002, based on its evaluation, the Company took a further write-down of the remaining assets purchased of \$407,000, effectively writing off its entire investment in the purchase agreement.

Assets (net of reserves) and liabilities acquired consisted of the following:

Accounts receivable	\$	27,619
Inventories		105,472
Prepaid items		9,368
Computer equipment		280,629
Security deposits		15,470

Total Assets		438,558

Note payable		8,664
Accounts payable		882,968
Other accruals		216,554

Total Liabilities		1,108,186

Excess of liabilities over assets	\$	669,628
		=====
Purchase price		1,065,817

Total goodwill (all written off on June 30, 2002)	\$	1,735,445
		=====
Net assets written off in the third quarter of 2002	\$	407,000
		=====

The Company believed that the seller may have misrepresented the nature of the assets and the viability of the associated business at the time of the transaction. As a result the Company has retained legal counsel to advise it of its rights against the shareholders of the seller to recover certain sums or to rescind the entire transaction. As mentioned above, in June 2004 the Company issued 160,000 of the 316,700 contingent shares in settlement of this matter.

Proforma information: The following proforma information reflects the net sales, net loss, and per share amounts for the year ended December 31, 2002 as if the Tiger Telematics, Ltd and Comworxx acquisitions had been completed on January 1,

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

2002:

	2002

Proforma net Sales	\$ 319,613
Proforma net loss	\$ (13,453,091)
Proforma basic and diluted net loss per common share	\$ (4.62)
Weighted average shares outstanding -basic and diluted	2,911,298

F-23

2004 Acquisitions

ISIS Models Ltd.

In May 2004 Gizmondo Europe, Ltd. acquired a seventy-five percent (75%) interest in ISIS Models Ltd., for 40,000 shares of the Company's restricted common stock valued at \$92,800. Because liabilities acquired exceed assets obtained and the Company is expected to absorb future losses, the minority interest is valued at zero and any allocation of future net income or losses is not expected to be material. ISIS was acquired to provide marketing support and arrangements for Gizmondo. The Company also assumed liabilities in excess of the value of tangible assets acquired of \$223,099. ISIS is the successor company to ISIS Models Management Limited, a company that has previously ceased operations. The excess of purchase price over the value of the tangible assets acquired (\$315,899), was assigned to Goodwill. The Company subsequently realized an impairment loss of approximately \$56,000.

While the Company does not believe that this acquisition was material, it intends to file within the next 60 days a Form 8-K describing this acquisition and providing audited financial statements for the acquired company.

Indie Studios

On August 2, 2004, Gizmondo Europe completed the acquisition of 100% of the stock of Indie Studios AB for 1,000,000 shares of the Company's restricted common stock. Indie was acquired to enhance the Company's game development operations. There are also 600,000 contingent shares reserved for future issuance based on the completion of two games in progress as of the acquisition date. The games were completed in January 2005 and the contingent shares were issued. The value of the contingent shares, approximately \$4,560,000, was charged to Research & Development expense in the first quarter of 2005. The Company assumed the excess of liabilities over the value of tangible assets acquired of approximately \$61,400; paid cash of approximately \$850,000 and issued stock valued at \$2,740,000. The excess of purchase price over the value of the tangible assets acquired (\$3,651,713), was assigned to Goodwill.

At the time of this acquisition, Peter Uf, Joe Marten and Stefan Eriksson were directors of both Gizmondo Europe and Indie Studios. This transaction was approved by the Company's board of directors.

While the Company does not believe that this acquisition was material, it intends to file within the next 60 days a Form 8-K describing this acquisition and providing audited financial statements for the acquired company.

Warthog Plc

The Company acquired the subsidiaries, intellectual properties and assets of

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Warthog Plc in a move to further expand the Company's games development agenda and management infrastructure. Within two days of closing, the Company injected approximately \$1.3 million into the Warthog subsidiaries for working capital purposes.

F-24

The Company paid \$1,114,000 in cash, issued 497,866 shares of its restricted common stock valued at \$1,618,065 and assumed liabilities of \$1,761,263, and recording goodwill of \$63,835 and other intangible assets of \$1,901,765.

Financial disclosures for the 2004 acquisitions:

Assets (net of reserves) and liabilities acquired in the 2004 acquisitions consisted of the following:

Cash	\$ 37,818
Accounts receivable	953,441
Other receivables	1,559,060
Inventory	102,227
Prepaid items	97,367
Computer equipment	137,056

Tangible assets	2,886,969

Goodwill	4,031,447
Games in development	891,472
Tusk technology	1,010,293

Intangible assets	5,933,212

Accounts payable	742,616
Overdraft	184,010
Other	14,437
Other accruals	1,463,768

Liabilities Assumed	2,404,831

Cash and stock paid for subsidiaries	\$6,415,350
	=====

Goodwill related to the Indie acquisition was written down by a \$55,777 impairment adjustment.

Management considers the games in development and Tusk technology to be unpatented technology and has allocated a part of the acquisition cost to such technologies. Amortization of these intangible assets begins when the games and technology will be placed in service over the expected life of the game or technology. No amortization was recorded for the two months ended December 31, 2004.

The following proforma information reflects the net sales, net loss, and per share amounts as if the Company had made the 2004 Acquisitions on January 1, 2003. Neither ISIS nor Indie had operations prior to September 30, 2003.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

	2004 ----	2003 ----	2002 ----
Pro forma net sales	\$ 10,351,000	\$ 12,829,000	\$ 17,453,000
Pro forma net loss	(114,164,000)	(23,898,000)	(12,195,000)
Pro forma basic and diluted net loss per common share	\$ (5.35)	\$ (4.55)	\$ (3.67)
Weighted average shares outstanding - basic and diluted	21,323,337	5,248,074	3,320,742

F-25

NOTE J - RELATED PARTY TRANSACTIONS

See Note C EQUITY TRANSACTIONS - for descriptions of shares of common stock issued to related parties.

In 2004, the Company issued 800,000 shares valued at \$1,800,000 to an individual for services rendered to the Company. In April 2004, this person subsequently became an employee of Gizmondo Europe responsible for Investor Relations. He left the employment of Gizmondo Europe after the Company's Board of Directors learned that he made an unauthorized purchase of a luxury automobile using Gizmondo Europe's funds.

During 2004, an executive officer/director and an executive officer caused Asiatic Bank and Finance, a company registered in Panama with its head office in Hong Kong, to pay to 3P PreForm Marketing and Research AB and other non-affiliated third parties a total of \$7,622,000 in respect of research and development expenditures incurred by and charged to Gizmondo Europe. This amount has been credited in full payment of amounts previously owed by these individuals to Gizmondo Europe. Asiatic Bank and Finance owns 400,000 shares of common stock of Tiger Telematics, Inc., which it acquired in November 2003 at a price of \$.50 per share.

On August 2, 2004, Gizmondo Europe completed the acquisition of Indie Studios AB by issuing 1.0 million shares of the Company's common stock. The Company subsequently issued 600,000 contingent shares in connection with this acquisition were issued in 2005. At the time of this acquisition, certain individuals were directors of both Gizmondo Europe and Indie Studios. This transaction was approved by the Company's board of directors. For additional information regarding the acquisition of Indie Studios, see Note I to the Company's financial statements.

In September 2004, Northern Lights Software Limited ("Northern Lights"), a company registered in the United Kingdom, and Gizmondo Europe entered into a License Agreement, pursuant to which Northern Lights licensed the games Chicane and Colors and provided software development services to Gizmondo Europe. During 2004, Gizmondo Europe paid Northern Lights a total of \$3,513,000 under the License Agreement, which amount was invoiced during the regular course of business. The Chairman of the Company's Board of Directors and an executive officer are the directors of both Northern Lights and Gizmondo Europe and are the beneficial owners of 23.5% of the issued and outstanding share capital of Northern Lights. At December 31, 2004, the outstanding balance payable to Northern Lights was \$906,000, which amount was subsequently paid in 2005.

In 2004, Gizmondo Europe paid the spouse of an executive officer/director,

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

\$116,000 and \$57,831, respectively, for consultancy services provided to Gizmondo Europe. This individual provided marketing and public relations services, an introduction to the performer Sting and time spent in connection with the creation of the "Agaju" gaming concept currently in development.

F-26

In 2004, the Company paid \$163,855 to Bankside Law for legal fees incurred on behalf of an executive officer/director, personally. The Company included this amount as additional compensation to the executive officer/director.

In 2004, Gizmondo Europe paid the corporate secretary, who is the co-habiting partner of an executive officer/director of the Company, \$149,844 in base compensation, other compensation and bonuses of \$82,954 and provided her with a luxury automobile valued at \$69,108 at the time of acquisition. In addition, in 2004 the Company issued this individual a total of 160,681 shares of the Company's common stock valued at \$467,213. Her base compensation for 2005 is \$192,777.

In the UK, Gizmondo Europe maintains directors accounts whereby amounts owing to and from directors of Gizmondo Europe are netted in order to facilitate advances made and expenses incurred by directors. During 2004, Gizmondo Europe was owed as much as \$5,723,860, and \$3,122,210, by Messrs. Freer and Eriksson, respectively, using a conversion rate of 1.8074. All amounts owed by Mr. Freer were repaid prior to his becoming a director of the Company in August 2004. As of December 31, 2004, Mr. Eriksson owed \$204,081 to Gizmondo, which loans were subsequently repaid. During 2005, Mr. Eriksson owed as much as \$114,066 to Gizmondo Europe, all of which has been repaid.

The Company presently has three directors, all of whom are involved in management of the Company and its subsidiaries. The Company anticipates increasing the Board to seven directors and adding four independent directors. With respect to the transactions in 2004 described above in which executive officers, directors and/or spouses of the foregoing had an interest, respectively, the Company will ask the four independent directors, when appointed, to review and approve these transactions.

NOTE K - CONTINGENCIES

A shareholder of the Company borrowed some of the funds advanced to the Company (with funds going to the Tiger Ltd subsidiary) from a private investment bank, London International Mercantile Bank (LIM), based in London. The shareholder failed to repay the note when due and LIM made demand on the subsidiary, Tiger Telematics Ltd., to repay the funds since Tiger Telematics Ltd. was the beneficiary of the funds. The Company maintained that it was not responsible for that obligation and responded to the demand accordingly. Tiger Telematics Ltd. entered into a settlement agreement the Court approved as a Tomblin Order where the demand note payable to the shareholder was forgiven in exchange for the Company entering into an installment note for approximately \$475,000, to be paid over time directly to LIM. The shareholder remained contingently obligated for the sum owed plus interest in event that the payment was not made timely by Tiger Telematics Ltd. The Company issued a limited guaranty for the obligation to LIM.

The settlement agreement called for monthly payments at a variable interest rate. Tiger Telematics Ltd. repaid approximately \$80,000 prior to the sale of the business on December 17, 2002. Following the sale of Tiger Telematics Ltd., the Company was apprised that Tiger Telematics Ltd. was placed in liquidation insolvency under the laws of the United Kingdom for failure to make the payments required under this arrangement.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

LIM made demand on the Company for approximately \$450,000 under the guarantee but has made no attempt to collect on the guaranty as it pursues its direct remedies against the original borrower of the funds. LIM also holds 140,000

F-27

shares of the Company's common stock and certain real estate provided by the original borrower as collateral. The Company has reserved an amount that it believes will cover any obligation that may arise.

On April 26, 2002, the Company entered into a Lease Agreement with Christian and Timbers UK Ltd (C&T) for office premises for its subsidiary for a term of five years. The Company paid the first year's rent by issuing 20,000 shares of common stock. The subsidiary subsequently defaulted on the lease arrangement. In the summer of 2003, C&T sued the Company pursuant to the Company's guarantee. In October 2003, the Company entered into a judgment stipulation for \$300,000 to settle all obligations under the guarantee. The Company has issued shares of common stock to C&T, that it believes will satisfy the amount of the outstanding judgment.

In March 2004, Jordan Grand Prix Ltd. filed suit against the Company in the UK alleging violation of the Sponsorship Agreement entered into between the Company and Jordan Racing in July 17, 2003 and a related Letter Agreement dated in July 2003. The sponsorship agreement was meant to assist in marketing the Company's new hand held gaming device and to correspond with its launch. The launch was delayed from its anticipated time frame. Jordan sued the Company for \$3 million and alleged that the Company defaulted on a payment of \$500,000, due on January 1, 2004, under the sponsorship agreement, and a payment for \$250,000, due on the same date under a separate letter agreement. In January 2005, the Court reduced the amount of the payment and allowed the Company to deposit 70,000 shares of its stock in escrow to satisfy this requirement. Prior to commencement of the trial, the Company was to substitute \$1.5 million in exchange for the escrowed shares. The Company settled the case in July 2005 in an out of court mediation by the payment of \$1,500,000 in cash and the issuance of 30,000 shares of the Company's restricted common stock valued at \$208,800. The settlement was recorded in the 2004 financial statements and included in other expenses.

In January 2005, the Company filed a lawsuit in the Circuit Court in and for the County of Duval, Florida against D. Weckstein and Company and Donald E. Weckstein, a former investment advisor to the Company, for breach of the Company's agreement with the advisor. In a mediation process completed in April 2005, the Company issued 60,000 additional shares of restricted common stock valued at \$310,800 in full settlement of the matter and was released from all past and future obligations under the Agreement. The settlement was recorded in the 2004 financial statements and included in other expenses.

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 50% of net receipts is to be paid on each product.

On March 22, 2005, the Board of Regents of the University of Texas System filed an action against the Company and one of its subsidiaries, Gizmondo Europe, Ltd. in the United States District Court for the Western District of Texas, Austin

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Division, alleging that predictive text software used in the Company's Gizmondo gaming device infringes a patent held by the Board of Regents. The Company believes that its software does not infringe the Board of Regents' patent. The

F-28

Company licenses this software from another company, which under the license agreement has indemnified the Company for infringement claims. The Company and Gizmondo Europe, Ltd. were dismissed from this action in July 2005.

In August 2005, the Company filed an action against Integra SP Holdings Limited and Integra SP Nominee Limited (collectively "Integra") seeking a declaratory judgment that the Company had properly terminated a stock purchase agreement between the Company and Integra. In November 2004, the Company entered into an agreement with Integra to acquire all of the outstanding share capital of Integra SP Holdings Limited for Company common stock with a market value of approximately \$35 million based on \$14.06 per share. The agreement, which was amended in January 2005, required the satisfaction of numerous conditions in order to close. Several of those conditions were not satisfied and on July 7, 2005, the Company notified Integra that it had elected to terminate the agreement. In connection with entering into the agreement the Company had also loaned Integra \$1,541,280 under a debenture providing for loans by the Company of up to \$1,926,600 secured by Integra's intellectual property rights. Termination of the stock purchase agreement entitles the Company to demand payment on the debenture with 60 days notice, which the Company did on July 7, 2005. The action was filed in Florida State Court and has been removed by Integra to the U. S. District Court, Middle District, Jacksonville Division.

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

On September 2, 2005, MTV Networks Europe demanded payment of \$1,527,500 Euros previously invoiced to Gizmondo Europe under an agreement dated March 31, 2005 with Gizmondo Europe guaranteed by the Company. The agreement provides for sponsorship fees of \$2,600,000 Euros plus VAT and airtime advertising fees of \$2,600,000 Euros plus VAT. MTV Networks Europe has terminated the agreement effective September 9, 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.

NOTE L - DISCONTINUED OPERATIONS

In June 2002, the Company entered into a plan to dispose of its flooring business and, as of June 30, 2002, accounted for the flooring segment as a discontinued segment. The Company has estimated that the net loss on the discontinued operations from June 30, 2002 through the date of sale, August 9, 2002 to be \$35,000, and the estimated gain on sale and included that amount in the liabilities of the discontinued segment.

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

F-29

On August 9, 2002, the Company sold its flooring business to a purchasing group headed up by a former officer of the Company. The Company sold assets aggregating \$1,152,698, in consideration for the assumption by the buyer of liabilities totaling \$1,243,135. The Company will remain contingently liable on the liabilities until such time as the buyers pay them off. In addition, the buyer has assumed operating leases described above. In April 2003, the buyer of the flooring assets filed a Chapter 11 bankruptcy proceeding and was liquidated as of April 30, 2003. As of December 31, 2002, the Company has made a provision for loss of approximately \$1,153,000.

Revenue included in loss from discontinued operations was \$2,163,158 for the year ended December 31, 2002.

A summary of the liabilities the Company may be obligated to pay, as of December 31, as follows:

	2004	2003
	-----	-----
Liabilities - Leases and various payables and accruals related to failure of Floor Decor, and other dispositions	\$ 1,168,243	\$ 1,168,243

NOTE M - PREPAYMENTS

Prepayment consists of the following:

	December 31,	
	2004	2003
	-----	-----
Prepaid expenses are as follows:		
Rent	\$ 45,659	\$ 45,383
Insurance	382,493	--
Prepayments for Gizmondo production	944,105	--
General	250,305	--
	-----	-----
TOTAL	\$ 1,622,562	\$ 45,383
	=====	=====

NOTE N - ACCRUED EXPENSES

Accrued expenses consists of the following:

	December 31,	
	2004	2003
	-----	-----
Payroll and related taxes	\$ 752,697	\$ 150,054
Accrued expenses	3,782,778	--
Withholding taxes accrual	7,494,715	--
VAT accrual	265,628	--
Audit fees	150,743	--
Consulting	--	302,100
Other	723,844	--
Settlements of litigation	2,019,600	--
Amounts accrued related to acquisitions,		

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

bankruptcy of acquiring companies and rent and advisor fees related to events described in NOTE K - CONTINGENCIES	520,369	1,297,851
	-----	-----
	\$ 15,710,374	\$ 1,750,005
	=====	=====

F-30

NOTE O - SEGMENT INFORMATION

Since 2003 the Company has focused all of its business in one segment, developing its primary product, Gizmondo, a new multi-entertainment wireless handheld gaming device targeted at the gaming industry.

NOTE P - SUBSEQUENT EVENTS

In August 2005, Gizmondo Europe and U. S. game developer Electronic Arts entered into a Software Development Contract for the development of two games, FIFA and FXXFSX. In connection with this contract, Gizmondo Europe paid Electronic Arts \$5.9 million.

In May 2005, two entities that are shareholders of the Company paid an aggregate total of approximately \$21.2 million in short term loans to Gizmondo Europe. These loans are repayable by September 30, 2005, and are guaranteed by the Company and by Carl Freer and Stefan Eriksson, personally. The Company also pledged 1,027,069 shares of its common stock as collateral for the loan.

On September 8, 2005, the Company executed a Stock Purchase Agreement with certain stockholders of Globicom, Inc., a Texas corporation, and closed the transaction on that date, for the acquisition of approximately eighty-four percent (84%) of the issued and outstanding common stock of Globicom, Inc. The Company acquired Globicom in a move to provide wireless network support and expand the wireless infrastructure for Gizmondo. The Company paid \$200,000 in cash and issued 116,859 shares of its restricted common stock on September 8, 2005. An additional contingent cash payment of \$120,000 is due upon the completion of certain milestones.

Payments amounting to \$3,971,000 have been made to Games Factory Publishing Ltd in connection with a games development agreement entered into in August 2005 for the development of 19 games to be used on the Gizmondo handheld device. A 50% shareholder of Games Factory Publishing Ltd owns 100,000 shares of the Company's common stock.

NOTE Q - EMPLOYMENT CONTRACTS AND TERMINATION AND CHANGE-IN-CONTROL ARRANGEMENTS

As of December 31, 2004, the Company had employment agreements with all of its executive officers, Michael W. Carrender, Carl Freer, Steve Carroll and Stefan Eriksson.

The Company and Michael W. Carrender entered into an employment contract effective March 1, 2004, pursuant to which Mr. Carrender is employed as the Chief Executive Officer of the Company. This contract currently provides for an initial three year term through March 1, 2007, and his employment there under is automatically extended for successive one-year periods thereafter, unless terminated by either the Company or Mr. Carrender upon proper notice. The base salary under this contract is a minimum of \$1,800,000 per annum (effective as of October 1, 2004) and Mr. Carrender is eligible to receive (1) a bonus approved by the Company's Compensation Committee, and (2) certain perquisites described in the contract. If Mr. Carrender's employment is terminated prior to the term of the contract by the Company (unless the termination is by the Company for "cause" or as a result of Mr. Carrender's death or permanent disability) or by

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Mr. Carrender for "good reason," then the Company must pay Mr. Carrender (x) his remaining base salary through the end of the then current term and (y) an amount equal to fifty percent (50%) of his annual base salary for the fiscal year immediately preceding the year in which the termination occurs.

F-31

Gizmondo Europe, Ltd., the Company and Carl Freer entered into an employment contract effective March 1, 2004, pursuant to which Mr. Freer is employed as the Managing Director of Gizmondo Europe. This contract currently provides for an initial three year term through March 1, 2007, and his employment there under is automatically extended for successive one-year periods thereafter, unless terminated by either the Company or Mr. Freer upon proper notice. The base salary under this contract is a minimum of \$1,922,770 per annum (effective as of October 1, 2004) and Mr. Freer is eligible to receive (1) a bonus, and (2) certain perquisites described in the contract. If Mr. Freer's employment is terminated prior to the term of the contract by the Company (unless the termination is by the Company for "cause" or as a result of Mr. Freer's death or permanent disability) or by Mr. Freer for "good reason," then the Company must pay Mr. Freer (x) his remaining base salary through the end of the then current term and (y) an amount equal to fifty percent (50%) of his annual base salary for the fiscal year immediately preceding the year in which the termination occurs.

Gizmondo Europe, Ltd., the Company and Steve Carroll entered into an employment contract effective October 22, 2004, pursuant to which Mr. Carroll is employed as the Chief Technology Officer. This contract currently provides for an initial three year term through October 22, 2007, and his employment there under is automatically extended for successive one-year periods thereafter, unless terminated by either the Company or Mr. Carroll upon proper notice. The base salary under this contract is a minimum of \$1,542,160 per annum (effective as of February 1, 2005) and Mr. Carroll is eligible to receive (1) a bonus, and (2) certain perquisites described in the contract. If Mr. Carroll's employment is terminated prior to the term of the contract by the Company (unless the termination is by the Company for "cause" or as a result of Mr. Carroll's death or permanent disability) or by Mr. Carroll for "good reason," then the Company must pay Mr. Carroll (x) his remaining base salary through the end of the then current term and (y) an amount equal to fifty percent (50%) of his annual base salary for the fiscal year immediately preceding the year in which the termination occurs.

Gizmondo Europe, Ltd., the Company and Stefan Eriksson entered into an employment contract effective March 1, 2004, pursuant to which Mr. Eriksson is employed as the Director of Gizmondo Europe. This contract currently provides for an initial three year term through March 1, 2007, and his employment there under is automatically extended for successive one-year periods thereafter, unless terminated by either the Company or Mr. Eriksson upon proper notice. The base salary under this contract is a minimum of \$1,542,160 per annum (effective as of October 1, 2004) and Mr. Eriksson is eligible to receive (1) a bonus, and (2) certain perquisites described in the contract. If Mr. Eriksson's employment is terminated prior to the term of the contract by the Company (unless the termination is by the Company for "cause" or as a result of Mr. Eriksson's death or permanent disability) or by Mr. Eriksson for "good reason," then the Company must pay Mr. Eriksson (x) his remaining base salary through the end of the then current term and (y) an amount equal to fifty percent (50%) of his annual base salary for the fiscal year immediately preceding the year in which the termination occurs.

F-32

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Compensation Committee Interlocks and Insider Participation

No executive officer of the Company serves as a member of the board of directors of any entity that has one or more executive officers serving as a member of the Company's Board of Directors. The Company had no separate Compensation, Stock Option and Benefits Committee during the year ended December 31, 2004.

NOTE R - ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from customers, none of whom are considered to be major customers. Accounts receivable are reported at their unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors related to specific customers' ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when a balance is determined not to be collectible. Management did not consider an allowance for doubtful accounts to be necessary at December 31, 2004.

Other Receivables:

Other receivables consist of the following:

VAT refunds due	\$ 1,952,677
Purchase tax refunds due	306,726
Due from Integra	467,201
Amounts due from other debtors	402,631

TOTAL	\$ 3,129,235
	=====

NOTE S - QUARTERLY DATA (UNAUDITED)

(In thousands except for per share amounts)

	Year ended December 31, 2004			

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	-----	-----	-----	-----
Net sales	\$ 274	\$ 268	\$ 184	\$ 0
Cost of goods sold	(36)	297	149	0
	-----	-----	-----	-----
Gross profit (loss)	310	(29)	35	0
Selling, general and Administrative	54,167	17,865	19,730	5,730
Other income (expense)	(2,076)	0	(1)	(38)
	-----	-----	-----	-----
Net loss	\$ (55,933)	\$ (17,894)	\$ (19,696)	\$ (5,768)
	=====	=====	=====	=====
Net loss per share	\$ (1.79)	\$ (0.87)	\$ (1.21)	\$ (0.52)
	=====	=====	=====	=====

Edgar Filing: TIGER TELEMATICS INC - Form 10-K

Year ended December 31, 2003

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	\$ 17	\$ 0	\$ (9)	\$ 1
Cost of goods sold	20	(9)	1	3
Gross profit (loss)	(3)	(9)	(10)	(2)
Selling, general and Administrative	4,873	1,142	407	545
Other income (expense)	242	(287)	52	(32)
Net loss	\$ (4,634)	\$ (1,438)	\$ (365)	\$ (579)
Net loss per share	\$ (1.0571)	\$ (0.4004)	\$ (0.1088)	\$ (0.1773)

Year ended December 31, 2002

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	\$ 130	\$ 152	\$ 1	\$ 1
Cost of goods sold	117	223	42	3
Gross profit (loss)	13	(71)	(41)	(2)
Selling, general and Administrative	1,256	1,410	2,149	954
Other income (expense)	(521)	(1,027)	(3,288)	(28)
Loss from continuing Operations	(1,764)	(2,508)	(5,478)	(984)
Loss from discontinued Operations	0	0	(164)	(189)
Net loss	(1,764)	(2,508)	(5,642)	(1,173)
Net loss per share	\$ (0.6249)	\$ (0.8885)	\$ (1.9986)	\$ (0.4155)