Tatung (UK) Limited & its subsidiary undertakings
Financial statements
For the year ended 31 December 2006

Company No. 1509549

Company information

Company registration number :	1509549
Registered office :	Stafford Park 10 Telford Shropshire TF3 3AB
Directors :	Mr W S Lin Mrs Y J Lin Mr Y C Huang Mr K Y Wang Mr Y S Tang
Secretary :	Mrs Y J Lin
Solicitors :	Putsmans Solicitors Britannia House 50 Great Charles Street Birmingham B3 2LT
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

Index to the financial statements

Report of the directors

The directors present their report together with financial statements for the year ended 31 December 2006.

Principal activities

The principal activities of the group are marketing and distribution of television sets, video recorders and information products such as computer peripherals and monitors.

Business review

Financial overview

The group's loss on ordinary activities after taxation amount to £1,051,000 (2005: £2,574,000). The directors do not recommend the payment of a dividend (2005: £Nil).

The 12 months to December 2006 represent the second year of operational restructuring and, although the group has recorded a loss, the directors are pleased by the performance during the year and believe that the business is in a strong position to survive in an increasingly competitive market.

The directors have monitored the progress of the overall company strategy and the individual strategic elements by reference to certain key performance indicators. One of the main indicators is gross profit margin. During the year this has increased to 9% (2005: 1%) as a result of the change in emphasis, with an increased focus on selling high margin items.

Results and dividends

The group's loss on ordinary activities after taxation amounted to £1,051,000 (2005 : £2,574,000). The directors do not recommend the payment of a dividend (2005 : £Nil).

[We acknowledge that the operating performance for the year fell below our budgeted expectations due mainly to the adverse market conditions resulting in declining sales values across all product lines. However, we have our amended operating strategies which we believe will result in better operating performances going forward.]

Future developments

The directors recognise that increased competition in our traditional markets has put pressure on prices and margins. We believe that the change of emphasis from high volume, low margin products to project-based sales of high margin products will enable the business to improve its market position.

As a result of these changes the directors are confident that the level of performance will improve.

Principal risks and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks.

The directors have set out below the principal risks facing the business.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Financial risk management

The group uses various financial instrument these include overdraft facilities, short term loans, letters of credit insurance and trade creditors that arise directly from its operations.

The existence of these financial instruments expose the group to a number of financial risks which are described in more detail below.

Market risk

Competitive price reductions and specific attempts to increase market share to continues to be a challenge. Stock levels and stock movement rates are monitored and controlled to minimise exposure to falling prices, whilst continued monitoring of competitor prices enables appropriate responses to be made on a timely basis.

There has been an ongoing erosion of the independent dealer base due to increase competition from supermarket and internet sales. In response the group has focussed on new products and a realignment of pricing strategies to open new accounts and to re-activate dormant ones.

Credit risk

The principle credit risk arises from the group's trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references.

Credit limit are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Currency risk

The group is exposed to translation and transaction foreign exchange risk. The group purchases goods from Eastern Europe in Euros and from the Far East in US dollars. Wherever possible, the timing and currency of purchase payments is matched to forecast sales income to minimise transaction risk.

Around 55% of sales are to UK customers and are invoiced in sterling. 30% of the group's sales are to customers in continental Europe. The remaining 25% of sales are to other territories; here the currency for sales income is US dollars which typically matches the currency used for the purchase of those goods.

Interest rate risk

The group finances its operations through a mixture of bank borrowings and support from the group's parent company, Tatung Company.

The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Liquidity risk

The company seeks to manage financial risk by insuring sufficient liquidity is available to meet foreseeable needs. The risk of the group having insufficient liquid resources is mitigated through support from Tatung Company, the ultimate parent company.

Report of the directors

Directors

The present membership of the Board is set out below. All directors served throughout the year unless otherwise indicated.

Mr W S Lin
Mrs Y J Lin
Dr T S Lin (deceased 11 May 2006)
Mr Y C Huang (appointed 1 April 2006)
Mr A Morgan (resigned 15 February 2006)
Mr K Y Wang (appointed 1 April 2006)
Mr Y S Tang (appointed 14 March 2006)

None of the directors had any interest in the share capital of the company. The interests of the directors in the share capital of the ultimate parent undertaking, Tatung Company, are disclosed in the financial statements of that company.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

In so far as the directors are aware :

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Research and development

The group is involved in research and development work at its own laboratory to continuously evaluate new product ranges in order to meet growing market requirements and to improve existing products.

Report of the directors

Disabled persons

The group gives full and just consideration to applications for employment made by disabled persons together with fulfilling its obligations towards employees who are disabled or become disabled during the period when they are employed by the group.

Employee involvement

Weekly management meetings are held between the directors and functional line management. The group also has employee briefing meetings which bring together directors, management and staff representatives each calendar month.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

Mrs Y J Lin
Director

7 March 2007

Grant Thornton

Report of the independent auditors to the members of Tatung (UK) Limited & its subsidiary undertakings

We have audited the consolidated and parent company financial statements (the "financial statements") of Tatung (UK) Limited for the year ended 31 December 2006 which comprise the principal accounting policies, the profit and loss accounts, the note of group historical cost profits and losses, the balance sheets, the consolidated cash flow statement and notes 1 to 22. These financial statements have been prepared in accordance with the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

Grant Thornton

Report of the independent auditors to the members of Tatung (UK) Limited & its subsidiary undertakings

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

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the group and company as at 31 December 2006 and of the group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 December 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

7 March 2007

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of freehold land and buildings, and in accordance with applicable Accounting Standards in the United Kingdom.

The financial statements have been drawn up on a going concern basis which assumes the continuing financial support of the ultimate parent undertaking, Tatung Company, which has confirmed that it is its present intention to provide such financial support for the foreseeable future.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 6), drawn up to 31 December 2006. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life.

Turnover

Turnover comprises sales to third parties at invoice value, excluding value added tax.

Depreciation

Depreciation of fixed assets, excluding land, is calculated so as to write off the valuation of freehold buildings and the cost of other fixed assets over their expected working lives by equal annual instalments. The annual rates in use are :

Freehold buildings	2%
Improvements to short leasehold premises	15%
Plant and machinery	10% to 50%

Land held for development

Land held for development is stated at the lower of cost and net realisable value.

Stocks

Stocks, including work in progress, are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads.

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange at the date of the transaction. At the balance sheet date, all monetary assets and liabilities denominated in a foreign currency are translated at the rate contracted to settle the transaction. In the absence of such contracts the rate ruling at the year end is used. Exchange differences are taken to the profit and loss account.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Leased assets

All leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The pension costs charged against profits represent the amount of the pension contributions payable to the schemes during the accounting period.

Research and development

Expenditure on research and development is charged to revenue in the year in which the expenditure is incurred.

Consolidated profit and loss account

Continuing operations	Note	2006 £000	2005 £000
Turnover	1	**9,595**	14,784
Cost of sales		**(8,683)**	(14,649)
Gross profit		**912**	135
Distribution costs		**(889)**	(845)
Administrative expenses		**(1,253)**	(1,800)
Operating loss		**(1,230)**	(2,510)
Profit on sale of tangible fixed assets		**–**	170
Interest receivable		**379**	421
Interest payable and similar charges	2	**(200)**	(655)
Loss on ordinary activities before taxation	1	**(1,051)**	(2,574)
Tax on loss on ordinary activities	4	**–**	–
Retained loss for the financial year	12	**(1,051)**	(2,574)

There were no recognised gains or losses other than the result for the financial year.

Note of group historical cost profits and losses

	2006 £000	2005 £000
Reported loss on ordinary activities before taxation	**(1,051)**	(2,574)
Realisation of property revaluation gains of previous years	**–**	384
Historical cost loss on ordinary activities before taxation	**(1,051)**	(2,190)
Historical cost loss transferred to reserves	**(1,051)**	(2,190)

The accompanying notes form part of these financial statements.

Company profit and loss account

Continuing operations	Note	2006 £000	2005 £000
Turnover	1	9,595	14,784
Cost of sales		(8,683)	(14,649)
Gross profit		912	135
Distribution costs		(890)	(845)
Administrative expenses		(1,252)	(1,946)
Operating loss		(1,230)	(2,656)
Interest receivable from subsidiary undertakings		–	64
Other interest receivable		371	421
Interest payable and similar charges	2	(200)	(655)
Loss on ordinary activities before taxation	1	(1,059)	(2,826)
Tax on loss on ordinary activities		–	–
Retained loss for the financial year	12	(1,059)	(2,826)

There were no recognised gains or losses other than the result for the financial year.

Note of group historical cost profits and losses

	2006 £000	2005 £000
Reported loss on ordinary activities before taxation	(1,059)	(2,826)
Realisation of property revaluation gains of previous years	–	384
Historical cost loss on ordinary activities before taxation	(1,059)	(2,442)
Historical cost loss transferred to reserves	(1,059)	(2,442)

Consolidated balance sheet

	Note	2006 £000	2005 £000
Fixed assets			
Tangible assets	5	–	–
Current assets			
Stocks	7	**1,030**	1,824
Debtors	8	**2,078**	2,599
Cash at bank and in hand		**5,803**	8,016
		8,911	12,439
Creditors due within one year	9	**(10,148)**	(12,625)
Net current liabilities		**(1,237)**	(186)
Debtors due after one year	8	**4,706**	4,706
Total assets less current liabilities		**3,469**	4,520
Net assets		**3,469**	4,520
Capital and reserves			
Called up share capital	11	**42,584**	42,584
Profit and loss account	12	**(39,115)**	(38,064)
Equity shareholders' funds	13	**3,469**	4,520

The financial statements were approved by the Board of Directors on 7 March 2007.

Mrs Y J Lin, Director

Company balance sheet

	Note	2006 £000	2005 £000
Fixed assets			
Tangible assets	5	–	–
Investments	6	–	–
		–	–
Current assets			
Stocks	7	**1,030**	1,824
Debtors	8	**2,082**	2,603
Cash at bank and in hand		**5,803**	7,194
		8,915	11,621
Creditors due within one year	9	**(10,978)**	(12,625)
Net current liabilities		**(2,063)**	(1,004)
Debtors due after one year	8	**4,706**	4,706
Total assets less current liabilities		**2,643**	3,702
Net assets		**2,643**	3,702
Capital and reserves			
Called up share capital	11	**42,584**	42,584
Profit and loss account	12	**(39,941)**	(38,882)
Equity shareholders' funds		**2,643**	3,702

The financial statements were approved by the Board of Directors on 7 March 2007.

Mrs Y J Lin, Director

Consolidated cash flow statement

	Note	2006 £000	2005 £000
Net cash (outflow)/inflow from operating activities	14	**(847)**	4
Returns on investments and servicing of finance			
Interest received		**379**	421
Interest paid		**(200)**	(655)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**179**	(234)
Capital expenditure and financial investment			
Sale of tangible fixed assets		**–**	1,765
Net cash inflow from capital expenditure and financial investment		**–**	1,765
Net cash (outflow)/inflow before financing		**(668)**	1,535
Financing			
Repayment of short term loans		**(1,545)**	342
Issue of share capital			–
Net cash (outflow)/inflow from financing		**(1,545)**	342
(Decrease)/increase in cash in the year	15	**(2,213)**	1,877

Notes to the financial statements

1 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation is attributable to the group's principal activities.

	Group and company	
	2006	2005
The geographical analysis of turnover is :	**£000**	£000
United Kingdom	**4,856**	9,154
Rest of World	**4,738**	5,630
	9,594	14,784

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

		Group		Company
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Depreciation	**–**	99	**–**	70
Auditors' remuneration – audit services	**25**	25	**25**	25
Other operating leases – land and buildings	**1,127**	1,127	**1,127**	1,127
Profit on disposal of fixed assets	**–**	170	**–**	160
Rent receivable	**(873)**	(834)	**(873)**	(834)

2 Interest payable and similar charges

	Group and company	
	2006	2005
	£000	£000
Interest on bank loans and overdrafts repayable within five years	**170**	611
Other interest payable and similar charges	**30**	44
	200	655

3 Directors and employees

Group and company	**2006**	2005
Staff costs during the year were as follows :	**£000**	£000
Wages and salaries	**1,226**	1,897
Social security costs	**120**	157
Pension costs	**26**	73
	1,372	2,127

The average number of employees during the year was 43 (2005 : 60).

Directors and employees (continued)

Staff costs include remuneration in respect of directors as follows:	2006 £000	2005 £000
Emoluments	**203**	265
Pension contributions to money purchase pension schemes	**–**	25
	203	290

During the year there were no directors (2005 : 3 directors) participating in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows :

	2006 £000	2005 £000
Emoluments	**198**	205
Pension contributions to money purchase pension schemes	**–**	24

4 Tax on loss on ordinary activities

There is no taxation liability arising on the loss for the year (2005 : £Nil).

Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2005 : 30%). The differences are explained as follows :

	2006 £000	2005 £000
Loss on ordinary activities before taxation	**(1,051)**	(2,574)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2005 : 30%)	**(315)**	(773)
Effect of:		
Expenses not deductible for tax purposes	**24**	15
Increase in losses carried forward/(brought forward losses utilised)	**292**	(182)
Decrease in general provisions	**(1)**	–
Depreciation for the period in excess of capital allowances	**-**	554
Deferred tax not recognised on current year losses	**-**	386
	-	–

5 Tangible fixed assets

Group

	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2006	–	360	360
Disposals	–	–	–
At 31 December 2006	–	360	360
Depreciation			
At 1 January 2006	–	360	360
Charge for the year	–	–	–
Disposals	–	–	–
At 31 December 2006	–	360	360
Net book amount			
At 31 December 2006	–	–	–
Net book amount			
At 31 December 2005	–	–	–

Company

	Plant and machinery £000	Total £000
Cost		
At 1 January 2006	360	360
Additions	–	–
At 31 December 2006	360	360
Depreciation		
At 1 January 2006	360	360
Charge for the year	–	–
At 31 December 2006	360	360
Net book amount		
At 31 December 2006	–	–
Net book amount		
At 31 December 2005	–	–

6 Investments

Investment in shares in subsidiary undertakings	£
At 1 January 2006 and at 31 December 2006	8

At 31 December 2006, the company held 100% of the ordinary share capital of the following subsidiary undertakings. During the year, TUKDEV 1 Limited and TUKDEV 2 Limited disposed of their properties and no longer trade. TUKCON 1 Limited and TUKCON 2 Limited are dormant companies.

Company
TUKDEV 1 Limited
TUKDEV 2 Limited
TUKCON 1 Limited
TUKCON 2 Limited

7 Stocks

	Group and company	
	2006	2005
	£000	£000
Raw materials and consumables	**394**	480
Finished goods and goods for resale	**636**	1,344
	1,030	1,824

8 Debtors

		Group		Company
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Due within one year				
Trade debtors	**1,659**	2,238	**1,659**	2,238
Amounts owed by subsidiary undertakings	**–**	–	**4**	4
Other debtors	**333**	335	**333**	335
Prepayments and accrued income	**86**	26	**86**	26
	2,078	2,599	**2,082**	2,603
Due after more than one year				
Trade debtors	**4,706**	4,706	**4,706**	4,706

9 Creditors : amounts falling due within one year

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank loans and overdrafts	**3,228**	4,773	**3,228**	4,773
Trade creditors	**1,166**	1,266	**1,166**	1,266
Amounts owed to parent undertaking	**5,075**	5,663	**5,075**	5,663
Amounts owed to subsidiary undertaking	**–**	–	**830**	–
Other creditors	**635**	509	**635**	509
Social security and other taxes	**44**	414	**44**	414
	10,148	12,625	**10,978**	12,625

10 Provisions for liabilities and charges

Group and company

There is no provision for deferred taxation for the current or previous periods as the Group has tax losses available to carry forward and offset against future trading profits. The unrecognised deferred tax asset is analysed below and has not been recognised in the financial statements as in the opinion of the directors there is a degree of uncertainty that the asset will be recoverable in the foreseeable future.

	2006 £000	2005 £000
Tax losses and short term timing differences	**4,927**	4,905
Depreciation in excess of capital allowances	**2,907**	2,909
	7,834	7,814

11 Share capital

	2006 £000	2005 £000
Authorised		
44,500,000 Ordinary shares of £1 each	**44,500**	44,500
Allotted, called up and fully paid		
42,584,000 Ordinary shares of £1 each	**42,584**	42,584

12 Reserves

Group	Profit and loss £000
At 1 January 2006	(38,064)
Loss for year	(1,051)
At 31 December 2006	(39,115)

Company	Profit and loss £000
At 1 January 2006	(38,882)
Loss for year	(1,059)
At 31 December 2006	(39,941)

13 Reconciliation of movements in shareholders' funds

Group

	2006 £000	2005 £000
Loss for the financial year	**(1,051)**	(2,574)
Opening shareholders' funds	**4,520**	7,094
Closing shareholders' funds	**3,469**	4,520

14 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2006 £000	2005 £000
Operating loss	**(1,230)**	(2,510)
Depreciation	**–**	99
Decrease in stocks	**794**	3,145
Decrease in debtors	**521**	752
Decrease in creditors	**(932)**	(1,482)
Net cash (outflow)/inflow from operating activities	**(847)**	4

15 Reconciliation of net cash flow to movement in net funds

	2006	2005
	£000	£000
(Decrease)/increase in cash in the year	**(2,213)**	1,877
Cash inflow/(outflow) from movement in debt and lease financing	**1,545**	(342)
Movement in net debt in the year	**(668)**	1,535
Opening net funds	**3,243**	1,708
Closing net funds	**2,575**	3,243

16 Analysis of changes in net funds

	At 1 January 2006	Cashflow	**At 31 December 2006**
	£000	£000	**£000**
Cash at bank and in hand	8,016	(2,213)	**5,803**
Bank overdrafts	–	–	**–**
	8,016	(2,213)	**5.803**
Short term loans	(4,773)	1,545	**(3,228)**
	3,243	(668)	**2,575**

17 Leasing commitments

At 31 December 2006, the group and company had annual commitments under non–cancellable operating leases as follows :

	Group		Company	
Land and buildings	**2006**	2005	**2006**	2005
	£000	£000	**£000**	£000
Operating leases which expire :				
In five years or more	**1,127**	1,127	**1,127**	1,127

At 31 December 2006, the group and company were committed to a lease in respect of land and buildings at an annual rental of £1,126,875. With effect from 25 March 2001, the company entered into a sub–lease on the relevant property for an annual rent receivable of £885,000. Tatung Company have confirmed their commitment to provide financial support to specifically cover the annual shortfall on the lease, until at least the next break clause in the sublease in 2011.

18 Contingent liabilities

There were no contingent liabilities at 31 December 2006 or 31 December 2005.

19 Capital and other commitments

There were no capital commitments at 31 December 2006 or 31 December 2005.

20 Pension schemes

Defined contribution schemes

The company also operates defined contribution pension schemes. The assets of these schemes are held separately from those of the company, being invested in managed funds. The pension cost represents contributions payable by the company and amounted to £25,989 (2005 : £72,672).

21 Related parties

During the year £1,040,956 (2005 : £2,850,259) of goods were purchased from Tatung company, the ultimate parent undertaking. The amount owing to the parent undertaking at the year end was £5,050,576 (2006 : £5,663,000).

22 Ultimate parent undertaking

The ultimate parent undertaking is Tatung Company which is incorporated in Taiwan.

Copies of the group accounts may be obtained from Tatung Company, 22 Chungshan North Road, 3rd Sec, TAIPEI 10451, Republic of China.

Management information

The following pages do not form part of the statutory financial statements which are the subject of the independent auditors' report on pages 5 to 6.

Reconciliation of company trading account to consolidated profit and loss account

	2006 £000	2005 £000
Company retained loss for the financial year	**(1,059)**	(2,826)
Elimination of inter–group profits	**8**	169
Inter group interest	**–**	(64)
Inter group rent charges	**–**	175
Depreciation in development companies	**–**	(28)
Consolidated retained loss for the financial year	**(1,051)**	(2,574)