





URBANEARS™

 COLOUD™

*Marshall*  
HEADPHONES

MOLAMI

The Board of Directors and Managing Director present the following annual report and consolidated accounts.

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Unless otherwise stated, all amounts are in SEK.  
Information in brackets refers to the previous year.

Zound Industries International AB  
Corporate Identity Number 556757-4610

## ADMINISTRATION REPORT

### GROUP STRUCTURE

The Group is comprised of the Parent Company, Zound Industries International AB, the wholly owned subsidiary Zound Industries Ltd, the wholly owned sub-subsidiary Zound Industries Shenzhen Limited and the wholly owned subsidiary Zound Industries USA Inc.

The Parent Company prepares consolidated accounts, which includes all subsidiaries, in accordance with the Annual Accounts Act, Chapter 7, Paragraph 1.

### OPERATIONS

The Company engages in the development, design, production, sales and distribution of fashion-oriented audio products.

Zound Industries includes own trademarks, licensing, private-label manufacturing and retail concepts. The Company's current trademarks include the brands Urbanears, Coloud and Molami, as well as Marshall Headphones, which is operated under a license.

The Company had 62 employees during 2013 and the head office is located in Stockholm.

### SIGNIFICANT EVENTS DURING THE YEAR

Last year's turnover was SEK 313,7 Million, a decrease of SEK 11 Million (3 %) in comparison with last year. The result has reduced from SEK 23,1 Million to SEK -9,6 Million (- 142 %).

Despite a negative result for the year 2013, we have entered 2014 with great confidence. We had a strong finish in 2013, with our fourth quarter results showing a 30% increase in sales compared to the previous year, with a profit of SEK 17.7 Million.

The Company's brands are currently represented in more than 90 markets. The main sales markets are the USA, France and Sweden. Urbanears accounts for approximately 44% of total turnover. During the year, the brand Marshall expanded with additional speakers that have contributed to the continued sales growth. The brand Coloud has teamed up with Nokia and this cooperation will continue in 2014.

During the year, work has continued on implementing internal and external changes to allow for growth in the coming years. Significant investments have been made in the organization, infrastructure and branding. In 2014, we will also continue our collaboration with some major accounts that were opened in the United States, including Best Buy.

### COMPARATIVE FIGURES COVERING SEVERAL YEARS

Summary of the Group's and the Parent Company's financial development. (TSEK)

	2013 12 months	2012 12 months	2011 12 months	2009/10 16 months
<b>The Group</b>				
Net sales, TSEK	312 213	322 918	247 801	-
Profit/loss after financial items, TSEK	-9 644	23 079	12 284	-
Balance sheet total, TSEK	190 061	162 770	134 031	-
Number of employees	62	54	39	-
Equity/assets ratio, %	36.6	47.8	40.9	-
<b>Parent Company</b>				
Net sales, TSEK	312 213	322 912	247 801	120 007
Profit/loss after financial items, TSEK	-10 470	20 946	11 641	12 128

Definitions of key ratios are provided in Note 1.

### PROPOSED APPROPRIATION OF PROFITS

The following profits are at the disposal of the Annual General Meeting:

Share premium reserve	33 449 762
Retained earnings	29 883 796
Net profit/loss for the year	-1 217 490
	<b>62 116 068</b>

The Board of Directors proposes that profits brought forward be appropriated as follows:

To be carried forward	62 116 068
	<b>62 116 068</b>

## CONSOLIDATED INCOME STATEMENT

	Note	2013	2012
Net sales		312 213 190	322 918 022
Other operating income		1 441 131	1 740 022
		<b>313 654 321</b>	<b>324 658 044</b>
<b>Operating expenses</b>			
Raw materials and consumables		-161 504 650	-160 671 643
Other external expenses	2	-108 869 840	-99 149 399
Personnel costs	3	-42 322 387	-32 625 489
Depreciation/amortisation and write-downs of tangible and intangible fixed assets		-8 852 756	-7 377 886
<b>Total operating expenses</b>		<b>-321 549 633</b>	<b>-299 824 417</b>
<b>Operating profit</b>		<b>-7 895 312</b>	<b>24 833 627</b>
<b>Profit/loss from financial items</b>			
Other interest income and similar profit/loss items		639 348	3 523
Interest expenses and similar profit/loss items		-2 388 376	-1 757 652
<b>Total profit/loss from financial items</b>		<b>-1 749 028</b>	<b>-1 754 129</b>
<b>Profit after financial items</b>		<b>-9 644 340</b>	<b>23 079 498</b>
Tax on profit for the year	4	1 447 804	-5 788 150
<b>Net profit/loss for the year</b>		<b>-8 196 536</b>	<b>17 291 348</b>

## CONSOLIDATED BALANCE SHEET

	Note	31 Dec 2013	31 Dec 2012
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets			
Capitalised expenditure for development work	5	6 089 759	9 559 893
Concessions, patents, licenses, trademarks and similar rights	6	8 499 450	6 075 994
		14 589 209	15 635 887
<b>Tangible fixed assets</b>			
Equipment, tools, fixtures and fittings	7	6 599 425	7 582 286
<b>Financial assets</b>			
Other non-current receivables		1 068 962	907 303
Total fixed assets		22 257 596	24 125 476
<b>Current assets</b>			
Inventories, etc.			
Finished products and goods for resale		49 571 873	37 537 608
Goods in transit		4 765 425	2 477 734
		<b>54 337 298</b>	<b>40 015 342</b>
<b>Current receivables</b>			
Accounts receivable - trade		86 089 047	47 618 307
Other current receivables		7 269 431	7 550 788
Prepaid expenses and accrued income	8	11 262 832	6 425 677
		<b>104 621 310</b>	<b>61 594 772</b>
Cash and bank balances		8 845 060	37 034 335
<b>Total current assets</b>		<b>167 803 668</b>	<b>138 644 449</b>
<b>Total assets</b>		<b>190 061 264</b>	<b>162 769 925</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
	9		
Share capital		636 523	636 523
Restricted reserves		4 757 805	11 912 969
Non-restricted reserves		72 349 083	47 930 728
Net profit for the year		-8 196 536	17 291 348
		69 546 875	77 771 568
<b>Total equity</b>		<b>69 546 875</b>	<b>77 771 568</b>
<b>Provisions</b>			
Deferred taxes	10	1 353 990	3 390 300
<b>Total provisions</b>		<b>1 353 990</b>	<b>3 390 300</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	11	1 179 350	929 350
Total non-current liabilities		1 179 350	929 350
<b>Current liabilities</b>			
Liabilities to credit institutions		2 000 000	4 500 000
Accounts payable - trade		61 113 373	31 921 871
Bank overdraft facility	12	35 597 183	20 742 139
Liabilities to associated companies		0	88 263
Current income tax liabilities		1 703 126	5 944 289
Other current liabilities		2 445 495	2 443 952
Accrued expenses and deferred income	13	15 121 872	15 038 193
<b>Total current liabilities</b>		<b>117 981 049</b>	<b>80 678 707</b>
<b>Total equity and liabilities</b>		<b>190 061 264</b>	<b>162 769 925</b>
<b>Pledged assets</b>	14	<b>61,000,000</b>	<b>61 000 000</b>
<b>Contingent liabilities</b>	15	<b>400 645</b>	<b>397 000</b>

## CASH FLOW STATEMENT FOR THE GROUP

	2013	2012
<b>Operating activities</b>		
Operating profit before financial items	-7 895 312	24 833 627
Depreciation/amortisation	8 852 756	7 377 886
Adjustments for non-cash items, etc.	4 977 764	3 122 513
Interest received & similar items	639 348	3 523
Interest paid & similar items	-2 388 376	-1 757 652
Income tax paid	-4 241 163	-3 285 162
	<b>-54 983</b>	<b>30 294 735</b>
Increase/decrease in inventories	-13 712 721	13 554 489
Increase/decrease in accounts receivable - trade	-38 470 740	-645 593
Increase/decrease in other current receivables	-10 106 870	-14 838 895
Increase/decrease in accounts payable - trade	29 191 502	3 367 329
Increase/decrease in other current operating liabilities	-591 547	1 767 420
<b>Cash flows from operating activities</b>	<b>-33 745 359</b>	<b>33 499 485</b>
<b>Investing activities</b>		
Investments in intangible fixed assets	-4 547 378	-5 657 923
Investments in tangible fixed assets	-2 275 838	-3 470 929
Investments in other financial non-current assets	-215 744	-805 174
<b>Cash flows from investing activities</b>	<b>-7 038 960</b>	<b>-9 934 026</b>
<b>Financing activities</b>		
New share issue	0	5 280 500
Borrowings	18 855 044	9 116 850
Repayment of debt	-6 260 000	-10 860 833
<b>Cash flows from financing activities</b>	<b>12 595 044</b>	<b>3 536 517</b>
<b>Cash flow for the year</b>	<b>-28 189 275</b>	<b>27 101 976</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>37 034 335</b>	<b>9 932 359</b>
<b>Cash and cash equivalents at year-end</b>	<b>8 845 060</b>	<b>37 034 335</b>

## PARENT COMPANY INCOME STATEMENT

	Note	2013	2012
Net sales	16	312 212 707	322 912 112
Other operating income		1 441 131	1 736 976
		313 653 838	324 649 088
<b>Operating expenses</b>			
Goods for resale		-169 579 840	-169 315 219
Other external expenses	2	-105 432 812	-92 777 939
Personnel costs	3	-38 575 324	-32 501 181
Depreciation/amortisation and write-downs of tangible and intangible fixed assets		-8 787 369	-7 353 032
<b>Total operating expenses</b>		<b>-322 375 345</b>	<b>-301 947 371</b>
<b>Operating profit</b>		<b>-8 721 507</b>	<b>22 701 717</b>
<b>Profit/loss from financial items</b>			
Other interest income and similar profit/loss items		639 348	2 259
Interest expenses and similar profit/loss items		-2 387 582	-1 757 652
<b>Total profit/loss from financial items</b>		<b>-1 748 234</b>	<b>-1 755 393</b>
<b>Profit after financial items</b>		<b>-10 469 741</b>	<b>20 946 324</b>
Appropriations	17	9 255 954	-5 562 354
Tax on profit for the year	4	-3 703	-4 295 019
<b>Net profit/loss for the year</b>		<b>-1 217 490</b>	<b>11 088 951</b>



## PARENT COMPANY BALANCE SHEET

	Note	31 Dec 2013	31 Dec 2012
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalised expenditure for development work	5	6 089 759	9 559 893
Concessions, patents, licenses, trademarks and similar rights	6	8 498 765	6 068 450
		14 588 524	15 628 343
<b>Tangible fixed assets</b>			
Equipment, tools, fixtures and fittings	7	6 364 530	7 386 325
<b>Financial assets</b>			
Participations in Group companies	18	9 510	9 510
Other non-current receivables		1 068 962	907 304
		1 078 472	916 814
<b>Total fixed assets</b>		<b>22 031 526</b>	<b>23 931 482</b>
<b>Current assets</b>			
<b>Inventories</b>			
Goods for resale		49 571 873	37 537 608
Goods in transit		4 765 425	2 477 734
		<b>54 337 298</b>	<b>40 015 342</b>
<b>Current receivables</b>			
Accounts receivable - trade		86 089 047	47 618 307
Other current receivables		7 007 403	7 295 497
Prepaid expenses and accrued income	8	10 818 299	6 175 198
		103 914 749	61 089 002
Cash and bank balances		7 191 069	35 194 707
Total current assets		165 443 116	136 299 051
Total assets		187 474 642	160 230 533
<b>Equity and liabilities</b>			
<b>Equity</b>			
	9		
<b>Restricted equity</b>			
Share capital (6,365,229 shares with a quotient value of SEK 0.10 per share)		636 523	636 523
<b>Non-restricted equity</b>			
Share premium reserve		33 449 762	33 449 762
Retained earnings		29 883 796	18 804 845
Net profit for the year		-1 217 490	11 088 951
		62 116 068	63 343 558
<b>Total equity</b>		<b>62 752 591</b>	<b>63 980 081</b>
Untaxed reserves	19	6 154 497	15 410 451
<b>Non-current liabilities</b>			
Other non-current liabilities	11	1 179 350	929 350
Total non-current liabilities		1 179 350	929 350
<b>Current liabilities</b>			
Liabilities to credit institutions	11	2 000 000	4 500 000
Bank overdraft facility	12	35 597 183	20 742 139
Accounts payable - trade		61 109 080	31 845 750
Current income tax liabilities		1 209 992	5 340 617
Other current liabilities		2 377 771	2 443 952
Accrued expenses and deferred income	13	15 094 178	15 038 193
<b>Total current liabilities</b>		<b>117 388 204</b>	<b>79 910 651</b>
<b>Total equity and liabilities</b>		<b>187 474 642</b>	<b>160 230 533</b>
<b>Pledged assets</b>			
	14	<b>61,000,000</b>	<b>61 000 000</b>
<b>Contingent liabilities</b>	15	<b>400 645</b>	<b>397 000</b>

## CASH FLOW STATEMENT FOR THE PARENT COMPANY

	2013	2012
<b>Operating activities</b>		
Operating profit before financial items	-8 721 507	22 701 717
Depreciation/amortisation	8 787 369	7 353 032
Adjustments for non-cash items, etc.	4 995 921	2 847 094
Interest received & similar items	639 348	2 259
Interest paid & similar items	-2 387 582	-1 757 652
Income tax paid	-4 134 328	-2 885 359
	<b>-820 779</b>	<b>28 261 091</b>
Increase/decrease in inventories	-13 712 721	13 554 489
Increase/decrease in accounts receivable - trade	-38 470 740	-676 070
Increase/decrease in other current receivables	-9 906 078	-13 749 974
Increase/decrease in accounts payable - trade	29 263 330	3 339 864
Increase/decrease in other current operating liabilities	-10 196	1 679 157
<b>Cash flows from operating activities</b>	<b>-33 657 184</b>	<b>32 408 557</b>
<b>Investing activities</b>		
Investments in intangible fixed assets	-4 547 302	-5 651 645
Investments in tangible fixed assets	-2 178 452	-3 297 252
Investments in other financial fixed assets	-215 744	-805 174
<b>Cash flows from investing activities</b>	<b>-6 941 498</b>	<b>-9 754 071</b>
<b>Financing activities</b>		
New share issue	0	5 358 000
Borrowings	18 855 044	9 116 850
Repayment of debt	-6 260 000	-10 860 833
<b>Cash flows from financing activities</b>	<b>12 595 044</b>	<b>3 614 017</b>
<b>Cash flow for the year</b>	<b>-28 003 638</b>	<b>26 268 503</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>35 194 707</b>	<b>8 926 204</b>
<b>Cash and cash equivalents at year-end</b>	<b>7 191 069</b>	<b>35 194 707</b>

## NOTES FOR THE PARENT COMPANY AND THE GROUP

### NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

**Zound Industries International AB's annual report has been prepared in accordance with the Swedish Annual Accounts Act and the general advice and guidelines of the Swedish Accounting Standards Board. The accounting principles are unchanged compared with the previous year.**

#### Foreign currencies

Assets and liabilities in foreign currency are valued at the closing rate of exchange. Where hedging instruments have been used, for example forward cover, the forward rate is applied. Transactions in foreign currencies are translated at the spot rate on transaction date.

#### Revenue

Sales of goods are reported in conjunction with the delivery of the products to the customer in accordance with the terms of sale. Sales are reported after VAT and discounts. Intra-Group sales are eliminated in the consolidated accounts.

#### Income tax

Reported income tax includes tax, which is to be paid or received, regarding the current year, adjustments concerning the previous years' current taxes, changes in deferred taxes and shares of associated companies' taxes.

All income tax liabilities and receivables are valued at their nominal amount according to the tax regulations and tax rates that have been decided or that have been announced and are likely to be adopted.

#### Intangible assets

##### Development work

Expenses for development work are usually expensed on an ongoing basis when they arise. Certain major development projects are considered to be of significant value to the Company over the coming years and have been capitalised in the balance sheet as capitalised development costs. These assets are amortised on a straight-line basis, usually over a maximum of 5 years. Amortisation begins when development work is completed and is expected to generate economic benefits.

##### Concessions, patents, licenses, trademarks and similar rights

Expenses for acquired concessions, patents, licenses and trademarks are capitalised and amortised on a straight-line basis during their useful life as stipulated by contract, usually over a maximum of 5 years. Amortisation begins when the costs attributable to development work are completed and are expected to generate economic benefits.

#### Tangible fixed assets

Tangible fixed assets are reported at acquisition cost reduced by the amount of depreciation. Expenses for improving the performance of the assets beyond their original level of performance increase the assets' reported value. Expenses for repairs and maintenance are reported as costs.

The straight-line method of depreciation is utilised for all types of tangible assets. The following periods of depreciation are applied:

Equipment, tools, fixtures and fittings	3-5 years
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Depreciation begins when the costs attributable to development work are completed and are expected to generate economic benefits.

#### Receivables

Receivables with due dates later than 12 months after the balance sheet date are reported as fixed assets. Other receivables are reported as current assets. Receivables are reported in the amounts that, on the basis of individual assessment, are estimated to be received.

#### Inventories

Inventories are valued at the lower of acquisition cost or net realisable value on the balance sheet date, according to the first-in, first-out method.

#### Consolidated accounts

The consolidated accounts include subsidiaries in which the Parent Company, either directly or indirectly, holds more than 50% of the votes or, in any other manner, exercises a controlling influence.

The Group's annual accounts have been prepared according to the purchase method, which entails that subsidiaries' equity at the time of acquisition, established as the difference between the actual value of the assets and liabilities, is eliminated in its entirety. The Group's equity includes, therefore, only that portion of the subsidiaries' equity which has arisen after the acquisition.

Companies acquired during the year are included in the consolidated accounts with the amounts that have accrued after acquisition. Earnings from companies sold during the year have been included in the consolidated income statement for the period up to the date of divestment.

Intra-Group gains are eliminated in their entirety.

Participations in subsidiaries are reported in the consolidated annual accounts at acquisition cost with deductions for any possible write-downs. Only those dividends received from profits accruing after the acquisition of an associated company are reported as income from associated companies.

#### Definitions of key ratios

Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

	Group		Parent Company	
	2013	2012	2013	2012
<b>NOTE 2 REMUNERATION TO AUDITORS</b>				
<b>PwC</b>				
Audit	310 000	295 000	310 000	295 000
Tax consultancy services	23 000	152 050	23 000	152 050
Assignments other than audit assignments	100 534	84 000	100 534	84 000
<b>Other auditing firms</b>				
Audit	42 617	45 513	0	0
Total	476 151	576 563	433 534	531 050

**NOTE 3 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS**

**Average number of employees**

Women	28	24	19	14
Men	34	30	27	25
Total	62	54	46	39

**Total salaries, remuneration, social security contributions and pension costs**

Salaries and remuneration to the Board of Directors and Managing Director	2 606 250	3 077 838	2 606 250	3 077 838
Salaries and other remuneration to other employees	27 088 953	21 333 505	23 871 145	18 586 936
	<b>29 695 203</b>	<b>24 411 343</b>	<b>26 477 395</b>	<b>21 664 774</b>
Statutory and contractual social security contributions	7 821 477	6 818 801	7 230 259	6 341 531
Pension costs for the Board of Directors and Managing Director	642 259	862 943	642 259	862 943
Pension costs for other employees	2 813 659	1 742 572	2 813 659	1 742 572
<b>Total</b>	<b>40 972 598</b>	<b>33 835 659</b>	<b>37 163 572</b>	<b>30 611 820</b>

**Members of the Board and senior management**

Number of members of the Board on balance sheet date

Women	2	1	2	1
Men	6	6	6	6
Total	8	7	8	7

Number of Managing Directors and other senior management

Women	1	0	1	0
Men	1	2	1	2
Total	2	2	2	2

**NOTE 4 TAX ON PROFIT FOR THE YEAR**

	Group		Parent Company	
	2013	2012	2013	2012
Current tax for the year	-584 803	-4 973 818	0	-4 280 937
Correction of previous year's tax	-3 703	-14 082	-3 703	-14 082
Changes resulting from altered tax rate	0	423 468	0	0
Deferred tax	2 036 310	-1 223 718	0	0
Book value	1 447 804	-5 788 150	-3 703	-4 295 019

**NOTE 5 CAPITALISED EXPENDITURE FOR DEVELOPMENT WORK**

Opening acquisition cost	17 789 986	16 815 584	17 789 986	16 815 584
Capitalised expenditure for the year, purchases	288 850	974 402	288 850	974 402
Closing accumulated acquisition cost	18 078 836	17 789 986	18 078 836	17 789 986
Opening amortisation	-8 230 093	-4 686 104	-8 230 093	-4 686 104
Amortisation for the year	-3 758 984	-3 543 989	-3 758 984	-3 543 989
Closing accumulated amortisation	-11 989 077	-8 230 093	-11 989 077	-8 230 093
Book value	6 089 759	9 559 893	6 089 759	9 559 893

**NOTE 6 CONCESSIONS, PATENTS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS**

Opening acquisition cost	7 672 637	2 989 521	7 658 543	2 981 300
Exchange rate fluctuation, opening balance	720	-405	0	0
Capitalised expenditure for the year, purchases	4 258 452	4 683 521	4 258 452	4 677 243
Closing accumulated acquisition cost	11 931 809	7 672 637	11 916 995	7 658 543
Opening amortisation	-1 596 643	-584 695	-1 590 093	-584 695
Exchange rate fluctuation, opening balance	-644	0	0	0
Amortisation for the year	-1 835 072	-1 011 948	-1 828 137	-1 005 398
Closing accumulated amortisation	-3 432 359	-1 596 643	-3 418 230	-1 590 093
Book value	8 499 450	6 075 994	8 498 765	6 068 450

**NOTE 7 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS**

Opening acquisition cost	14 065 710	10 597 933	13 842 082	10 544 830
Exchange rate fluctuation, opening balance	4 937	-3 152	0	0
Changes for the year				
-Purchases	2 275 185	3 470 929	2 178 452	3 297 252
-Sales	-4 614	0	0	0
Closing accumulated acquisition cost	16 341 218	14 065 710	16 020 534	13 842 082
Opening depreciation	-6 483 424	-3 662 607	-6 455 757	-3 652 112
Exchange rate fluctuation, opening balance	-1 131	1 132	0	0
-Sales	1 461	0	0	0
-Depreciation for the year	-3 258 699	-2 821 949	-3 200 247	-2 803 645
Closing accumulated depreciation	-9 741 793	-6 483 424	-9 656 004	-6 455 757
Book value	6 599 425	7 582 286	6 364 530	7 386 325

**NOTE 8 PREPAID EXPENSES AND ACCRUED INCOME**

Prepaid rent	799 359	1 002 825	799 359	752 346
Accrued income	822 500	0	822 500	612,124
Other items	9 640 973	5 422 852	9 196 440	5 422 852
Book value	11 262 832	6 425 677	10 818 299	6 175 198

## NOTE 9 CHANGE IN EQUITY

	Share Capital	Share premium reserve	Unconditional shareholders' contribution	Other non-restricted equity	Net profit/loss for the year	Total equity
<b>Parent Company</b>						
<b>Equity, 31 Dec 2012</b>	636 523	33 449 762	8 029 521	10 775 324	11 088 951	63 980 081
Shareholders' contribution repaid	-	-	-10 000	-	-	-10 000
Retained earnings	-	-	-	11 088 951	-11 088 951	-
Net profit/loss for the year	-	-	-	-	-1 217 490	-1 217 490
<b>Equity, 31 Dec 2013</b>	<b>636 523</b>	<b>33 449 762</b>	<b>8 019 521</b>	<b>21 864 275</b>	<b>-1 217 490</b>	<b>62 752 591</b>

	Share Capital	Restricted reserves	Share premium reserves	Other non-restricted equity	Net profit/loss for the year	Total equity
<b>Group</b>						
<b>Equity, 31 Dec 2012</b>	636 523	11 912 969	33 449 762	14 480 966	17 291 348	77 771 568
Shareholders' contribution repaid	-	-	-	-10 000	-	-10 000
Exchange rate difference	-	64 479	-	-82 636	-	-18 157
Share of equity, untaxed reserves	-	-7 219 643	-	7 219 643	-	-
Retained earnings	-	-	-	17 291 348	-17 291 348	-
Net profit/loss for the year	-	-	-	-	-8 196 536	-8 196 536
<b>Equity, 31 Dec 2013</b>	<b>636 523</b>	<b>4 757 805</b>	<b>33 449 762</b>	<b>38 899 321</b>	<b>-8 196 536</b>	<b>69 546 875</b>

## NOTE 10 DEFERRED TAX

	2013	2012
The difference between the income tax reported in the income statement and on the other hand, the income tax on operations consists of		
deferred tax on untaxed reserves.	1 353 990	3 390 300

## NOTE 11 BORROWING

The Company's borrowing is subject to interest renegotiations and maturity dates according to the following:

	Less than 1 year	1-5 years	More than 5 years	Total
<b>As per 31 Dec 2013</b>				
Total borrowing (TSEK)	38.347	1.179	0	39.527

## NOTE 12 BANK OVERDRAFT FACILITY

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Bank overdraft facility, agreed limit, SEK	48 000 000	38 000 000	48 000 000	38 000 000

## NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accrued holiday pay	1 805 909	1 353 888	1 805 909	1 353 888
Accrued social security contributions	555 805	400 389	555 805	400 389
Accrued sales commissions	5 106 321	5 641 863	5 106 321	5 641 863
Other items	7 653 837	7 642 053	7 626 143	7 642 053
Book value	15 121 872	15 038 193	15 094 178	15 038 193

**NOTE 14 PLEDGED ASSETS**

	<b>Group</b>		<b>Parent Company</b>	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
<b>For the Company's own liabilities</b>				
Relating to liabilities to credit institutions				
Floating charges	61 000 000	61 000 000	61,000,000	61 000 000
Total pledged assets	61 000 000	61 000 000	61,000,000	61 000 000

**NOTE 15 CONTINGENT LIABILITIES**

	<b>Group</b>		<b>Parent Company</b>	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Rental guarantee	397 000	397 000	397 000	397 000
Environmental protection agency	3 645	-	3 645	-
Total contingent liabilities	400 645	397 000	400 645	397 000

**NOTE 16 TRANSACTIONS WITH RELATED PARTIES**

	<b>2013</b>	<b>2012</b>
<b>Purchases and sales between Group companies</b>		
The percentages of purchases and sales regarding Group companies are listed below.		
Purchases, (%)	3	2
Sales, (%)	-	-

**NOTE 17 APPROPRIATIONS**

	<b>2013</b>	<b>2012</b>
Difference between recorded depreciation and depreciation according to plan	972 343	-136 576
Change in tax allocation reserve	8 283 611	-5 425 778
Book value	9 255 954	-5 562 354

**NOTE 18 PARTICIPATIONS IN GROUP COMPANIES**

	Registered offices		Book value	Number of participations
	Share of capital, %	Share of voting power, %		
Zound Industries Ltd		Hong Kong	9 510	100
Zound Industries USA Inc		Delaware, USA.	0	1000
Book value			9 510	

Zound Industries USA Inc was registered 2013-07-19 in Delaware, USA.  
There have not been any transactions in the U.S. company in 2013.

**NOTE 19 UNTAXED RESERVES**

	31 Dec 2013	31 Dec 2012
Accumulated difference between reported depreciation and depreciation according to plan	3 753 230	4 725 573
Tax allocation reserves	2 401 267	10 684 878
Book value	6 154 497	15 410 451

Stockholm, 16 April 2013

Pernilla Ekman  
Managing Director

Christel Kinning  
Chairman

Konrad Bergström

Kenneth Schönborg

Erich Hugo

Benjamin Pruess

Nils Tunebjer

Tommy Jacobson

Josefine Grane

Our auditor's report was submitted on 16 April 2013.  
Öhrlings PricewaterhouseCoopers AB

Pierre Fogelberg  
Authorised Public Accountant



## AUDITOR'S REPORT

### TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF ZOUND INDUSTRIES INTERNATIONAL AB, CORPORATE IDENTITY NUMBER 556757-4610

#### REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Zound Industries International AB for the year 2013.

#### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### OPINION

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company and the Group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statements and balance sheets for the Parent Company and the Group.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Zound Industries International AB for the year 2013.

Responsibilities of the Board of Directors and the Managing Director  
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### OPINION

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Jönköping, April 2013  
Öhrlings PricewaterhouseCoopers AB

Pierre Fogelberg  
Authorised Public Accountant

[www.urbanears.com](http://www.urbanears.com)

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