



**ANNUAL REPORT AND  
CONSOLIDATED ACCOUNTS 2014**



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, the wholly owned subsidiary Zound Industries USA Inc. and the wholly owned subsidiary Zound Industries Smartphones AB.

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 are operated under a license.

The head office is based in Stockholm, Sweden with production offices in Shenzhen, China, and sales and marketing offices in New York, United States. The group in 2014 had a total of 71 employees with 52 people at the headquarters in Stockholm and 19 employees at our other offices.

### COMPARATIVE FIGURES COVERING SEVERAL YEARS

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

(TSEK)

	2014	2013	2012	2011	2009/10
	12 months	12 months	12 months	12 months	16 months
<b>The Group</b>					
Net sales, TSEK	532 513	312 213	322 918	247 801	-
Profit/loss after financial items, TSEK	41 400	-9 644	23 079	12 284	-
Balance sheet total, TSEK	302 048	190 061	162 770	134 031	-
Number of employees	71	62	54	39	-
Equity/assets ratio %	43,9	36,6	47,8	40,9	-
<b>Parent Company</b>					
Net sales, TSEK	536 210	312 213	322 912	247 801	120 007
Profit/loss after financial items, TSEK	41 055	-10 470	20 946	11 641	12 128

Definitions of key ratios are provided in Note 1.

## RESULTS AND POSITION

2014 was a successful year for Zound Industries. Total sales for the year amounted to 534.7 million, representing an increase of 220.8 million or + 70.4% over the previous year. The group reports improved operating profit of 41.5 million, compared with -7.9 million last year.

The Company's brands are currently represented in over 100 markets. The main markets are mainly Nordic countries, the US and France and our distribution take place through distributors, directly to the B2B and e-commerce to end-consumers.

During the year the speaker segment continued to have great success and contributed to the year's total positive sales development. The product category speakers represent 47% of total sales compared to 13% last year. The brand Marshall has been expanded with additional speaker models and the brand Coloud has launched its first speaker model Bang.

Urbanears has during the year been developing products in collaboration with H&M and Marc by Marc Jacobs and performed updates to the brand expression, packaging and website. The brand represents about 23% of Zound Industries total sales.

The brand Colouds partnership with Microsoft (formerly Nokia) has been going on for years and will continue in 2015.

During the year a partnership with TeliaSonera was initiated where TeliaSonera in May 2014 acquired a stake in Zound Industries. With the company's four brands and products such as headphones, speakers and accessories we can strengthen TeliaSonera's customer-offer both together with mobile phone subscriptions and in store.

During the year, work has continued on implementing internal and external changes to allow for growth and profitability in the coming years. Investments have been made to strengthen the organization by recruiting a number of key employees, introduction of business processes and product development.

The result of the company's operations and the financial position at year-end is apparent from the following income statement, balance sheet and notes.

## USE OF FINANCIAL INSTRUMENTS

The Company is exposed to fluctuations in exchange rates - mainly in USD. The company uses no hedging the currency-sensitive transactions.

## NON-FINANCIAL DISCLOSURES

The Company constantly works on gender equality, health and safety, skills development, quality and environmental issues. The company's products are certified to meet legal requirements in the markets where products are sold. In the legal requirements of the EU included environmental requirements under REACH, RoHS and ERP, testing is also performed for the market's unique requirements outside the EU.

## EXPECTED FUTURE DEVELOPMENTS AND SIGNIFICANT RISK FACTORS

The future development is expected to continue as before, according to the main focus of the owners and the board stipulated. The risk that may affect the Company is cyclical risks and a negative impact of currency effects.

## PROPOSED APPROPRIATIONS OF PROFITS

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

Share premium reserve	63 402 113
Retained earnings	28 666 307
Net profit for the year	21 875 075
	<b>113 943 495</b>

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

to be carried forward	113 943 495
	<b>113 943 495</b>

## CONSOLIDATED INCOME STATEMENT

	Note	2014	2013
Net sales		532 513 233	312 213 190
Other operating income		2 186 667	1 441 131
		<b>534 699 900</b>	<b>313 654 321</b>
<b>Operating expenses</b>			
Goods for resale		-310 000 628	-161 504 650
Other external expenses	2	-124 241 163	-108 869 840
Personnel costs	3	-49 326 438	-42 322 387
Depreciation/amortisation and write-downs of tangible and intangible fixed assets		-9 566 671	-8 852 756
Other operating expenses		-99 097	0
<b>Total operating expenses</b>		<b>-493 233 997</b>	<b>-321 549 633</b>
<b>Operating profit</b>		<b>41 465 903</b>	<b>-7 895 312</b>
<b>Profit/loss from financial items</b>			
Other interest income and similar profit/loss items		2 264 779	639 348
Interest expenses and similar profit/loss items		-2 330 336	-2 388 376
<b>Total profit/loss from financial items</b>		<b>-65 557</b>	<b>-1 749 028</b>
<b>Profit/loss after financial items</b>		<b>41 400 346</b>	<b>-9 644 340</b>
Tax on profit/loss for the year	4	-8 954 090	1 447 804
<b>Net profit/loss for the year</b>		<b>32 446 256</b>	<b>-8 196 536</b>

## CONSOLIDATED BALANCE SHEET

	Note	2014-12-31	2013-12-31
<b>ASSETS</b>			
FIXED ASSETS			
<b>Intangible fixed assets</b>			
Capitalised expenditure for development work	5	26 030 149	6 089 759
Patents, licenses, trademarks and similar rights	6	9 859 172	8 499 450
		<b>35 889 321</b>	<b>14 589 209</b>
Tangible fixed assets			
Equipment, tools, fixtures and fittings	7	4 242 356	6 599 425
Financial assets			
Deferred tax assets		242 264	0
Other non-current receivables		531 524	1 068 962
		<b>773 788</b>	<b>1 068 962</b>
<b>Total fixed assets</b>		<b>40 905 465</b>	<b>22 257 596</b>
CURRENT ASSETS			
<b>Inventories</b>			
Goods for resale		91 147 556	49 571 873
Goods in transit		5 122 450	4 765 425
		<b>96 270 006</b>	<b>54 337 298</b>
<b>Current receivables</b>			
Accounts receivables - trade		147 408 629	86 089 047
Other current receivables		2 859 944	7 269 431
Prepaid expenses and accrued income	8	11 772 379	11 262 832
		<b>162 040 952</b>	<b>104 621 310</b>
Cash and bank balances		2 831 732	8 845 060
<b>Total current assets</b>		<b>261 142 690</b>	<b>167 803 668</b>
<b>Total assets</b>		<b>302 048 155</b>	<b>190 061 264</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9	684 142	636 523
Other contributed capital		63 402 113	33 449 762
Other equity inc. net profit/loss for the year		68 537 200	35 460 590
<b>Total equity</b>		<b>132 623 455</b>	<b>69 546 875</b>
Deferred taxes	10	4 167 223	1 353 990
<b>Non-current liabilities</b>			
Other non-current liabilities	11	86 100	1 179 350
<b>Total non-current liabilities</b>		<b>86 100</b>	<b>1 179 350</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	11	1 000 000	2 000 000
Accounts payable - trade		102 647 371	61 113 373
Bank overdraft facility	12	27 038 673	35 597 183
Current income tax liabilities		4 593 301	1 703 126
Other current liabilities		2 777 160	2 445 495
Accrued expenses and deferred income	13	27 114 872	15 121 872
<b>Total current liabilities</b>		<b>165 171 377</b>	<b>117 981 049</b>
<b>Total equity and liabilities</b>		<b>302 048 155</b>	<b>190 061 264</b>
<b>Pledged assets</b>	14	71 000 000	61 000 000
<b>Contingent liabilities</b>	15	400 645	400 645

## CASH FLOW STATEMENT FOR THE GROUP

	Note	2014	2013
<b>Operating activities</b>			
Operating profit/loss before financial items		41 465 903	-7 895 312
Depreciation/amortisation		9 566 671	8 852 756
Interest received		2 264 779	639 348
Interest paid		-2 330 336	-2 388 376
Adjustments for non-cash items, etc.	16	4 557 184	4 995 921
Income tax paid		-3 398 875	-4 241 163
		<b>52 125 326</b>	<b>-36 826</b>
Increase/decrease in inventories		-43 872 819	-13 712 721
Increase/decrease in accounts receivable - trade		-61 319 582	-38 470 740
Increase/decrease in current receivables		2 553 515	-10 106 870
Increase/decrease in accounts payable - trade		41 533 998	29 191 502
Increase/decrease in other current operating liabilities		12 160 358	-591 547
<b>Cash flows from operating activities</b>		<b>3 180 796</b>	<b>-33 727 202</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-28 121 463	-4 547 378
Investments in tangible fixed assets		-353 051	-2 275 838
Investments in leased premises		-39 058	0
Paid deposits		-936 416	-215 744
<b>Cash flows from investing activities</b>		<b>-29 449 988</b>	<b>-7 038 960</b>
<b>Financing activities</b>			
New share issue		29 999 971	0
Borrowings		-8 558 510	18 855 044
Repayment of loans		-1 750 000	-6 260 000
Repayment of group contribution/shareholder contribution/warrant		-30 750	0
<b>Cash flows from financing activities</b>		<b>19 660 711</b>	<b>12 595 044</b>
<b>Cash flow for the year</b>		<b>-6 608 481</b>	<b>-28 171 118</b>
Exchange rate differences in equity		595 153	-18 157
<b>Cash and cash equivalents at beginning of year</b>		<b>8 845 060</b>	<b>37 034 335</b>
<b>Cash and cash equivalents at year-end</b>		<b>2 831 732</b>	<b>8 845 060</b>



## PARENT COMPANY INCOME STATEMENT

	Note	2014	2013
Net sales	17, 18, 19	536 209 525	312 212 707
Other operating income	17	989 087	1 441 131
		<b>537 198 612</b>	<b>313 653 838</b>
<b>Operating expenses</b>			
Goods for resale		-323 450 686	-169 579 840
Other external expenses	2	-119 144 745	-105 432 812
Personnel costs	3	-43 988 376	-38 575 324
Depreciation/amortisation and write-downs of tangible and intangible fixed assets		-9 494 417	-8 787 369
<b>Total operating expenses</b>		<b>-496 078 224</b>	<b>-322 375 345</b>
<b>Operating profit/loss</b>		<b>41 120 388</b>	<b>-8 721 507</b>
<b>Profit/loss from financial items</b>			
Other interest income and similar profit/loss items		2 264 779	639 348
Interest expenses and similar profit/loss items		-2 330 336	-2 387 582
<b>Total profit/loss from financial items</b>		<b>-65 557</b>	<b>-1 748 234</b>
<b>Profit/loss after financial items</b>		<b>41 054 831</b>	<b>-10 469 741</b>
Appropriations	20	-12 787 423	9 255 954
Tax on profit/loss for the year	4	-6 392 333	-3 703
<b>Net profit/loss for the year</b>		<b>21 875 075</b>	<b>-1 217 490</b>

## PARENT COMPANY BALANCE SHEET

	Note	2014-12-31	2013-12-31
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Intangible fixed assets</b>			
Capitalised expenditure for development work	5	26 030 149	6 089 759
Patents, licenses, trademarks and similar rights	6	9 808 517	8 498 765
		<b>35 838 666</b>	<b>14 588 524</b>
<b>Tangible fixed assets</b>			
Equipment, tools, fixtures and fittings	7	3 909 720	6 364 530
<b>Financial assets</b>			
Participations in group companies	21	2 674 839	9 510
Other non-current receivables		187 809	1 068 962
		<b>2 862 648</b>	<b>1 078 472</b>
<b>Total fixed assets</b>		<b>42 611 034</b>	<b>22 031 526</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Goods for resale		85 363 428	49 571 873
Goods in transit		5 122 450	4 765 425
		<b>90 485 878</b>	<b>54 337 298</b>
<b>Current receivables</b>			
Receivables from group companies	19	7 443 722	0
Accounts receivables - trade		144 516 800	86 089 047
Other current receivables		2 552 076	7 007 403
Prepaid expenses and accrued income	8	10 894 073	10 818 299
		<b>165 406 671</b>	<b>103 914 749</b>
Cash and bank balances		690 583	7 191 069
<b>Total current assets</b>		<b>256 583 132</b>	<b>165 443 116</b>
<b>Total assets</b>		<b>299 194 166</b>	<b>187 474 642</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital (6.841.419 shares with a quotient value of SEK 0.10 per share)	9	684 142	636 523
<b>Non-restricted equity</b>			
Share premium reserve		63 402 113	33 449 762
Retained earnings		28 666 307	29 883 796
Net profit/loss for they year		21 875 075	-1 217 490
		<b>113 943 495</b>	<b>62 116 068</b>
<b>Total equity</b>		<b>114 627 637</b>	<b>62 752 591</b>
<b>Untaxed reserves</b>			
	22	<b>18 941 920</b>	<b>6 154 497</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	11	86 100	1 179 350
		<b>86 100</b>	<b>1 179 350</b>
<b>Current liabilities</b>			
Liabilities to group companies	11		
Liabilities to credit institutions	19	2 691 080	0
Bank overdraft facility	12	27 038 673	35 597 183
Accounts payable - trade		100 989 185	61 109 080
Current income tax liabilities		4 593 301	1 209 992
Other current liabilities		2 386 215	2 377 771
Accrued expenses and deferred income	13	26 840 055	15 094 178
<b>Total current liabilities</b>		<b>165 538 509</b>	<b>117 388 204</b>
<b>Total equity and liabilities</b>		<b>299 194 166</b>	<b>187 474 642</b>
<b>Pledged assets</b>	14	71 000 000	61 000 000
<b>Contingent liabilities</b>	15	400 645	400 645

## CASH FLOW STATEMENT FOR THE PARENT COMPANY

	Note	2014	2013
<b>Operating activities</b>			
Operating profit/loss before financial items		41 120 388	-8 721 507
Depreciation/amortisation		9 494 417	8 787 369
Adjustments for non-cash items, etc.	16	4 799 448	4 995 921
Interest received		2 264 779	639 348
Interest paid		-2 330 336	-2 387 582
Income tax paid		-3 009 024	-4 134 328
		<b>52 339 672</b>	<b>-820 779</b>
Increase/decrease in inventories		-38 088 691	-13 712 721
Increase/decrease in accounts receivable - trade		-58 427 753	-38 470 740
Increase/decrease in current receivables		-4 410 594	-9 906 078
Increase/decrease in accounts payable - trade		39 880 105	29 263 330
Increase/decrease in other current operating liabilities		14 132 901	-10 196
<b>Cash flows from operating activities</b>		<b>5 425 640</b>	<b>-33 657 184</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-28 069 954	-4 547 302
Investments in tangible fixed assets		-219 795	-2 178 452
Investments in subsidiaries		-2 665 329	0
Paid deposits		-631 759	-215 744
<b>Cash flows from investing activities</b>		<b>-31 586 837</b>	<b>-6 941 498</b>
<b>Financing activities</b>			
New share issue		29 999 971	0
Change in overdraft facilities		-8 558 510	18 855 044
Repayment of loans		-1 750 000	-6 260 000
Repayment of group contribution/shareholder contribution/warrant		-30 750	0
<b>Cash flows from financing activities</b>		<b>19 660 711</b>	<b>12 595 044</b>
<b>Cash flow for the year</b>		<b>-6 500 486</b>	<b>-28 003 638</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>7 191 069</b>	<b>35 194 707</b>
<b>Cash and cash equivalents at year-end</b>		<b>690 583</b>	<b>7 191 069</b>

## NOTES FOR THE PARENT COMPANY AND THE GROUP

### NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

From the financial year of 2014 the annual and consolidated report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012: 1 Annual Report and Consolidated (K3). Previously, the Annual Accounts Act and the Swedish Accounting Standards Board in addition BFNAR 2008: 1 (K2) and BFNAR 2012: 1 (K3) was used.

The transition has not resulted in any changes in the carrying items or amounts.

#### 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.

Subsidiaries in other countries prepare its annual accounts in foreign currency. When consolidate the entries in these companies' balance sheets and income statements are recalculated to the balance sheet date exchange rate and the spot rate on the date of each business event took place. The exchange differences that might occur are recognized in accumulated exchange differences in the Groups equity.

#### Revenue

##### Goods

Sales of goods are reported in conjunction with the delivery of the products to the customer in accordance with the terms of sale.

#### Appropriations

Changes in these reserves are reported as appropriations in the income statement.

#### Income tax

Current taxes are measured using tax rates and tax laws applicable at the balance sheet date. Deferred taxes are measured using tax rates and laws that have been enacted before the balance sheet date. Deferred tax loss carry forwards or other future tax deductions are recognized to the extent that it is probable that the deduction can be offset against future taxable profits. Receivables and liabilities are offset when there is a legally enforceable right to set off. Current taxes, as well as changes in deferred tax is recognized in the income statement unless the tax than attributable to an event or transaction which is recognized directly in equity. Tax effects of items recognized directly in equity are recognized in equity. Because of the relationship between accounting and taxation are not reported separately, the deferred tax liability attributable to untaxed reserves.

#### Intangible assets

##### Development work

Expenses for development work are usually expensed on an going 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.

##### 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. Cost includes expenditure that is directly attributable to the acquisition of the asset. When a component of a fixed asset is replaced, disposed of any remaining part of the old component and the new component is activated. Subsequent expenditure relating to assets that are not broken down into components is capitalised if they are expected to give the company future economic benefits, to the extent that the asset's performance increases compared to the asset's value at the acquisition date. Expenditures for repairs and maintenance are expensed. Capital gain or capital loss on disposal of a fixed asset is recognized as other operating income and other operating costs.

Tangible assets are systematically depreciated over the asset's estimated useful life. When the depreciation amount is determined, considered, where appropriate, the asset's residual value. Straight-line depreciation is used for other types of tangible assets. The following depreciation periods apply:

Equipment, tools, fixtures and fittings	5 years
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**Impairment of non-financial assets**

When there is an indication that an asset is impaired, an assessment is made of impairment. If the asset has a recovery value that is lower than the carrying amount, it is written down to its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). For assets other than goodwill that have previously been made at each reporting date assessment of whether there should be reversed. In the income statement impairment losses and reversals of impairment in the function where the asset is in use.

**Financial instruments**

Financial instruments recognized in the balance sheet include securities, accounts receivable and other receivables, short-term investments, accounts payable, and loans. These are recognized in the balance sheet when the Company becomes a party to the contractual terms and conditions and will be removed when the rights to receive cash flows from the investments have expired or have been transferred or when obligations have been settled or otherwise terminated.

**Trade and other receivables**

Receivables are recognized as current assets, except for maturities greater than 12 months after the balance sheet date which are classified as fixed assets. Receivable are recorded at the amount expected to be paid after deductions for individually assessed impaired loans.

**Borrowings and payables**

Borrowings and payables are recognized initially at cost, less transaction costs. Different to the carrying amount from the amount to be repaid on the due date, the difference as interest expense over the term of the loan using the instrument's effective interest rate. Hereby they are consistent on maturity the carrying amount and the amount to be repaid.

**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. Appropriate deduction for obsolescence has been made

**Provisions**

The Company recognizes a provision when there is a legal or constructive obligation and a reliable estimate of the amount can be made.

**Untaxed reserves**

Untaxed reserves are reported as gross amounts in the balance sheet, including the deferred tax liability that is attributable to reserves.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Transactions in foreign currency are translated using the transaction date.

**Leases**

The Company has no significant lease. The leases are treated as operating leases where contributions are recognized as an expense on a linear basis. The Company's leasing costs relating to rents and warehouse rents amounted to SEK 11.1 million (9,7mkr).

**Employee compensation**

Short-term compensation: Short-term compensation comprises salary, social security contributions, paid vacation, paid sick leave, health care and bonuses. Short-term benefits are recognized as an expense and a liability when there is a legal or constructive obligation to pay compensation.

Post-employment compensation: In the company only pension plans exists and are treated as defined contribution plans. There are no other material agreements involving post-employment compensation other than what falls within the scope of collective or common practice for executives.

**Cash Flow Statement**

The cash flow statement is prepared using the indirect method - its reported cash flow includes only transactions that entail payments.

**Estimates and judgments**

The Company makes estimates and assumptions concerning the future. The estimates for accounting purposes that result from these, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next year.

**Definitions of key ratios**

Equity/assets ratio

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

	Group		Parent Company	
	2014	2013	2014	2013

## NOTE 2 REMUNERATION TO AUDITORS

<b>PwC</b>				
Audit	390 000	340 000	390 000	340 000
Tax consultancy services	29 000	23 000	29 000	23 000
Assignments other than audit assignments	3 500	100 534	3 500	100 534
<b>Other auditing firms</b>				
Audit	49 078	42 617	0	0
<b>Total</b>	<b>471 578</b>	<b>506 151</b>	<b>422 500</b>	<b>463 534</b>

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

### Average number of employees

Women	33	28	23	19
Men	38	34	29	27
<b>Total</b>	<b>71</b>	<b>62</b>	<b>52</b>	<b>46</b>

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

Salaries and remuneration to the Board of Directors and Managing Director	3 480 000	2 606 250	3 480 000	2 606 250
Salaries and other remuneration to other employees	30 905 498	27 088 953	26 506 486	23 871 145
	<b>34 385 498</b>	<b>29 695 203</b>	<b>29 986 486</b>	<b>26 477 395</b>
Statutory and contractual social security contributions	8 319 270	7 821 477	7 576 441	7 230 259
Pension cost for the Board of Directors and Managing Director	822 189	642 259	822 189	642 259
Pension costs for other employees	3 479 538	2 813 659	3 461 788	2 813 659
<b>Total</b>	<b>47 006 495</b>	<b>40 972 598</b>	<b>41 846 904</b>	<b>37 163 572</b>

### Members of the Board and senior management

Number of members of the Board on balance sheet date				
Women	2	2	2	2
Men	5	6	5	6
<b>Total</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>8</b>

### Number of Managing Directors and other senior management

Women	1	1	1	1
Men	1	1	1	1
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

## NOTE 4 TAX ON PROFIT FOR THE YEAR

Current tax for the year	-6 383 121	-588 506	-6 392 333	-3 703
Deferred tax	-2 570 969	2 036 310	0	0
<b>Tax on profit for the year</b>	<b>-8 954 090</b>	<b>1 447 804</b>	<b>-6 392 333</b>	<b>-3 703</b>
Reported profit before tax	28 267 408	-1 190 910	28 267 408	-1 190 910
Tax calculated at applicable tax rate (22%)	-6 218 830	262 000	-6 218 830	262 000
Tax effect of non-deductible expenses	-165 579	-236 848	-165 579	-236 848
Tax attributable to prior years' reported earnings	0	-3 703	0	-3 703
Tax effect of imputed interest on tax allocation	-7 924	-25 152	-7 924	-25 152
Effect of foreign tax rates	9 212	-584 803	0	0
<b>Reported tax</b>	<b>-6 383 121</b>	<b>-588 506</b>	<b>-6 392 333</b>	<b>-3 703</b>

	Group		Parent Company	
	2014	2013	2014	2013
<b>NOTE 5 CAPITALISED EXPENDITURE FOR DEVELOPMENT WORK</b>				
Opening acquisition cost	18 078 836	17 789 986	18 078 836	17 789 986
Capitalised expenditure for the year, purchases	23 732 172	288 850	23 732 172	288 850
Closing accumulated acquisition cost	<b>41 811 008</b>	<b>18 078 836</b>	<b>41 811 008</b>	<b>18 078 836</b>
Opening amortisation	-11 989 077	-8 230 093	-11 989 077	-8 230 093
Amortisation for the year	-3 791 782	-3 758 984	-3 791 782	-3 758 984
Closing accumulated amortisation	<b>-15 780 859</b>	<b>-11 989 077</b>	<b>-15 780 859</b>	<b>-11 989 077</b>
Book value	<b>26 030 149</b>	<b>6 089 759</b>	<b>26 030 149</b>	<b>6 089 759</b>
<b>NOTE 6 PATENTS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS</b>				
Opening acquisition cost	11 931 809	7 672 637	11 916 995	7 658 543
Exchange rate fluctuation, opening balance	2 572	720	0	0
Capitalised expenditure for the year, purchases	4 389 298	4 258 452	4 337 784	4 258 452
Closing accumulated acquisition cost	<b>16 323 679</b>	<b>11 931 809</b>	<b>16 254 779</b>	<b>11 916 995</b>
Opening amortisation	-3 432 359	-1 596 643	-3 418 230	-1 590 093
Exchange rate fluctuation, opening balance	-2 579	-644	0	0
Amortisation for the year	-3 029 569	-1 835 072	-3 028 032	-1 828 137
Closing accumulated amortisation	<b>-6 464 507</b>	<b>-3 432 359</b>	<b>-6 446 262</b>	<b>-3 418 230</b>
Book value	<b>9 859 172</b>	<b>8 499 450</b>	<b>9 808 517</b>	<b>8 498 765</b>
<b>NOTE 7 EQUIPMENT, TOOLS, FIXTURES, AND FITTINGS</b>				
Opening acquisition cost	16 341 218	14 065 710	16 020 534	13 842 082
Exchange rate fluctuation, opening balance	57 513	4 937	0	0
Changes for the year				
-Purchases	353 051	2 275 185	219 795	2 178 452
-Sales	0	-4 614	0	0
Closing accumulated acquisition cost	<b>16 751 782</b>	<b>16 341 218</b>	<b>16 240 329</b>	<b>16 020 534</b>
Opening depreciation	-9 741 793	-6 483 424	-9 656 004	-6 455 757
Exchange rate fluctuation, opening balance	-22 311	-1 131	0	0
-Sales	0	1 461	0	0
Depreciations for the year	-2 745 322	-3 258 699	-2 674 605	-3 200 247
Closing accumulated depreciation	<b>-12 509 426</b>	<b>-9 741 793</b>	<b>-12 330 609</b>	<b>-9 656 004</b>
Book value	<b>4 242 356</b>	<b>6 599 425</b>	<b>3 909 720</b>	<b>6 364 530</b>
<b>NOTE 8 PREPAID EXPENSES AND ACCRUED INCOME</b>				
Prepaid rent	834 543	799 359	834 543	799 359
Accrued income	0	822 500	0	822 500
Other items	10 937 836	9 640 973	10 059 530	9 196 440
Book value	<b>11 772 379</b>	<b>11 262 832</b>	<b>10 894 073</b>	<b>10 818 299</b>

## 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 2013-12-31</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>
New share issue	47 619	-	-	-	-	47 619
Share Premium reserve	-	29 952 351	-	-	-	29 952 351
Retained earnings	-	-	-	-1 217 489	1 217 490	1
Net profit/loss for the year	-	-	-	-	21 875 075	21 875 075
<b>Equity 2014-12-31</b>	<b>684 142</b>	<b>63 402 113</b>	<b>8 019 521</b>	<b>20 646 786</b>	<b>21 875 075</b>	<b>114 627 637</b>

	Share Capital	Other contributed capital	Other equity inc. net profit/loss for the year	Total equity
<b>Group</b>				
<b>Equity I 2013-12-31</b>	<b>636 523</b>	<b>33 449 762</b>	<b>35 460 590</b>	<b>69 546 875</b>
New share issue	47 619	-	-	47 619
Share Premium reserve	-	29 952 351	-	29 952 351
Exchange rate difference	-	-	630 354	630 354
Net profit/loss for the year	-	-	32 446 256	32 446 256
<b>Equity 2014-12-31</b>	<b>684 142</b>	<b>63 402 113</b>	<b>68 537 200</b>	<b>132 623 455</b>

## NOTE 10 DEFERRED TAX

### Group

	2014	2013
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	4 167 223	1 353 990
Book value	<b>4 167 223</b>	<b>1 353 990</b>

## 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
As per 2014-12-31				
Total borrowing TSEK	25 976	86	0	25 890



	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
<b>NOTE 12 BANK OVERDRAFT FACILITY</b>				
Bank overdraft facility agreed limit, SEK	58 000 000	48 000 000	58 000 000	48 000 000

**NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME**

Accrued holiday pay	1 856 197	1 805 909	1 856 197	1 805 909
Accrued social security contributions	576 545	555 805	576 545	555 805
Accrued sales commissions	11 948 285	5 106 321	11 948 285	5 106 321
Other items	12 733 845	7 653 837	12 459 028	7 626 143
Book value	<b>27 114 872</b>	<b>15 121 872</b>	<b>26 840 055</b>	<b>15 094 178</b>

**NOTE 14 PLEDGED ASSETS**

**For the Company's own liabilities**

Relating liabilities to credit institutions

Floating charges	71 000 000	61 000 000	71 000 000	61 000 000
Total pledged assets	<b>71 000 000</b>	<b>61 000 000</b>	<b>71 000 000</b>	<b>61 000 000</b>

**NOTE 15 CONTINGENT LIABILITIES**

Rental guarantee	397 000	397 000	397 000	397 000
Environmental Protection Agency	3 645	3 645	3 645	3 645
Total contingent liabilities	<b>400 645</b>	<b>400 645</b>	<b>400 645</b>	<b>400 645</b>

**NOTE 16 ADJUSTMENTS FOR NON-CASH ITEMS, ETC.**

	2014	2013	2014	2013
Accrual of amortized cost	2 859 337	5 605 157	2 859 337	5 605 157
Inventory impairment	1 940 111	-609 236	1 940 111	-609 236
Deferred tax assets	-242 264	0	0	0
Book value	<b>4 557 184</b>	<b>4 995 921</b>	<b>4 799 448</b>	<b>4 995 921</b>

**NOTE 17 DISTRIBUTION OF INCOME**

	2014	2013
Net sales include income from:		
Goods	536 209 525	312 212 707
Total	<b>536 209 525</b>	<b>312 212 707</b>
Other revenue includes income from:		
Contributions	619 751	911 788
Royalties, licenses, etc.	0	529 343
Other	369 336	0
Total	<b>989 087</b>	<b>1 441 131</b>

**NOTE 18 DISTRIBUTION OF NET SALES IN THE BUSINESS SEGMENTS AND GEOGRAPHICAL MARKETS**

	2014	2013
Net sales by geographic markets as follows:		
Scandinavia	170 042 270	32 462 000
EMEA	150 479 890	126 142 200
North America	123 393 510	74 251 000
E-commerce	17 053 915	14 339 707
Other markets	75 239 940	65 017 800
Total	<b>536 209 525</b>	<b>312 212 707</b>

**NOTE 19 TRANSACTIONS WITH RELATED PARTIES**

	2014	2013
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Purchases and sales between group companies  
The percentages of purchases and sales regarding  
Group companies are listed below:

Purchase, (%)	2	3
Sales, (%)	2	-

**NOTE 20 APPROPRIATIONS**

	2014	2013
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Difference between recorded depreciation and depreciation according to plan	-3 102 069	972 343
Change in tax allocation reserve	-9 685 354	8 283 611
Book value	<b>-12 787 423</b>	<b>9 255 954</b>

**NOTE 21 PARTICIPATIONS IN GROUP COMPANIES**

Zound Industries Ltd	Hong Kong
Zound Industries USA Inc.	Delaware, USA
Zound Industries Smartphones AB	Stockholm, Sverige

	Share of capital %	Share of voting power %	Book value	Number of participations
Zound Industries Ltd	100	100	9 510	100
Zound Industries USA Inc	100	100	2 465 329	1 000
Zound Industries Smartphones AB	100	100	200 000	2 000
Book value			<b>2 674 839</b>	

Zound Industries Smartphones AB's financial year is extended to 2015-12-31.

**NOTE 22 UNTAXED RESERVES**

	2014-12-31	2013-12-31
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Accumulated difference between reported depreciation and depreciation according to plan	6 855 299	3 753 230
Tax allocation reserves	12 086 621	2 401 267
Book value	<b>18 941 920</b>	<b>6 154 497</b>



Stockholm 2015-

Pernilla Ekman  
Managing Director

Christel Kinning

Konrad Bergström

Kenneth Schönborg

Erich Hugo

Lars Roth

Tommy Jacobson  
Chariman

Margareta van den Bosch

## AUDITOR'S REPORT

Our auditor's report was submitted on \_\_\_\_ - \_\_\_\_ - \_\_\_\_.

Öhrlings PricewaterhouseCoopers AB

Pierre Fogelberg  
Authorised Public Accountant





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