



**Global IP Sound AB (publ.)**  
**Corporate identity number 556573-9017**

## **Annual report and consolidated financial statements for the financial period from January 1 2003 to December 31 2003.**

The board of directors and managing director present the following annual report and consolidated financial statements.

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## Administration report

The Annual Report refers to the Company's fiscal year from the date January 1, 2003 to December 31, 2003.

### Information about the business activities

Global IP Sound AB (the Company) develops and markets software for the communications industry and provides products and services that enable high quality voice for real-time communications over packet networks. The Company has established business in the US and Europe through its subsidiary Global IP Sound Inc. During the fiscal year, the Company had signed new agreements with companies like Skype, Texas Instruments, WorldGate, Telco Systems, Voipster, Bridgeport, Grandstream, UP Technologies, Pegasys, Brecis, LongBoard and Inter-Tel.

Revenues' for the year were SEK 7,432 - an increase of 445 percent over 2002. Operating expenses' were SEK 38,267 - a 30 percent decline from the previous year. Overall, the Company posted a net profit of SEK 10,912. The profit was due to a one-time gain of SEK 41,680 due to the restructuring. In 2003, the Company generated 16 314 SEK in new capital (Note 17.)

In 2003, the Company restructured in order to operate as a United States-based corporation under the name Global IP Sound, Inc. (GIPS-Inc). On December 30, 2003, the first phase of the plan began with Global IP Sound AB (GIPS-AB) acquiring GIPS Europe AB (formerly AB Grundstenen). GIPS-AB then sold and transferred most of the operational net assets, employees and certain patent rights to GIPS Europe AB. The final phase of the plan occurred when GIPS-AB sold GIPS Europe AB and the remaining patent rights to GIPS-Inc.

GIPS AB still retains 100 percent ownership in GIPS-Inc. and its subsidiaries. During 2004, the Company is planning to introduce a new incentive program, where the employees will be offered shares in GIPS-Inc.

At the start of the year, the Company's go to market strategy and the effectiveness of software licensing as a business model were unproven. As of the end of the year, it is clear that the Company is on track. Its sales pipeline grew to 73 active accounts at the end of the year. A total of 22 licensing agreements are now signed. Most importantly, 30 percent of revenue during the year came from licensing revenue. The first licensing revenue was received from Nortel during the fourth quarter of 2003.

The Company increased penetration across the different segments of the Voice over Internet Protocol (VoIP) market and has seen very positive developments in the opportunities for so called "soft-phone" applications such as peer-to-peer, 802.11 (WiFi) and collaboration/conferencing. The Company allocated its research and development resources to strengthen its position in these dynamic new product categories by launching IP ConferenceEngine and an Acoustic Echo Cancellation for PC. The Company will continue to invest in developing new technologies and products to maintain its competitive position.

The Company is optimistic on its future. Today, the Company is now established as a key contributor to the early success of Skype's peer-to-peer net calling. It is continuing to build strategic relationships with key tier one players in the systems market, such as Nortel, WebEx and Inter-Tel. With a growing customer base, new products and positive signs for a steady recovery of telecommunications spending, the outlook for 2004 and beyond is positive.

The Company has its registered office in Stockholm.

### Proposed treatment of profit (loss)

Following means are at the General Assembly's disposal:

Parent Company	Amount
Balance brought forward:	-67,206
Net profit of the year:	28,567
Total	-38,639

The board of directors and the managing director propose that the Parent Company's accumulated loss, SEK 38,639, be carried forward.

### Group

The Group's non-restricted equity amounts run up to SEK -131,821 and no provisions to restricted reserves are requisite.

All amounts are given in thousands Swedish kronor if nothing else is stated.

Summary covering several years

Year	2003	2002	2001
Net turnover	7,432	1,364	0
Result after financial items	10,937	-52,769	-76,114
Balance sheet total	68,787	34,883	50,362
Solvency (%)	82%	83%	84%
Employees	21	30	35

<b>Consolidated income statement</b>	<b>Note</b>	<b>2003-01-01-- 2003-12-31</b>	<b>2002-01-01-- 2002-12-31</b>
Other income	2	7,432	1,364
<b>Gross profit</b>		<u>7,432</u>	<u>1,364</u>
<b>Information about the business activities</b>	3, 2, 4		
Selling expenses		-8,259	-14,189
Administrative expenses	5	-15,889	-22,601
Research and development costs		<u>-14,119</u>	<u>-17,602</u>
<b>Operating loss</b>		<u>-30,835</u>	<u>-53,027</u>
<b>Result from financial investments</b>			
Other interest income and similar profit/loss items	6	41,941	1,395
Interest expenses and similar profit/loss items		<u>-169</u>	<u>-1,137</u>
<b>Total result from financial investments</b>		<u>41,772</u>	<u>259</u>
<b>Result after financial items</b>		<u>10,937</u>	<u>-52,769</u>
State tax		-25	-18
<b>Net profit (loss) for the year</b>		<u>10,912</u>	<u>-52,786</u>

<b>Consolidated balance sheet</b>		<b>Note</b>	<b>2003-12-31</b>	<b>2002-12-31</b>
<b>Assets</b>	1			
Fixed assets				
Intangible fixed assets				
Patents	7		43,466	1,359
Tangible fixed assets				
Plant and machinery	8		233	976
Equipment, tools, fixtures and fittings	9		685	1,222
Software	10		2	56
Costs of improvements to property	11		812	1,695
Vehicles			0	0
			<u>1,732</u>	<u>3,949</u>
Financial fixed assets				
Deposits			1,925	2,344
Other long-term receivables	16		1,500	1,760
			<u>3,425</u>	<u>4,105</u>
Total fixed assets			<u>48,622</u>	<u>9,413</u>
Current assets				
Account receivable-trade			3,224	484
Other current investments			0	0
Other current receivables			495	379
Prepaid expenses and accrued income	12		5,163	974
			<u>8,882</u>	<u>1,837</u>
Cash and bank balance			<u>11,283</u>	<u>23,633</u>
			<u>11,283</u>	<u>23,633</u>
Total current assets			20,165	25,470
Total assets			<u>68,787</u>	<u>34,883</u>

<b>Equity and liabilities</b>		<b>Note</b>	<b>2003-12-31</b>	<b>2002-12-31</b>
<b>Equity</b>		13,17		
Restricted equity				
Share capital (42,545,168 shares at nom SEK 0,1each)			4,255	2,688
Restricted reserves			183,858	169,252
Total restricted equity			188,112	171,940
Non-restricted equity				
Net loss previous year			-142,733	-89,947
Net loss of the year			10,912	-52,786
Total non-restricted equity			-131,821	-142,733
<b>Total equity</b>			56,291	29,207
<b>Long-term liabilities</b>				
Long-term note			111	46
<b>Total long-term liabilities</b>			111	46
<b>Current liabilities</b>				
Accounts payable - trade			3,012	1,777
Other current liabilities			179	233
Accrued expenses and deferred income	14		9,194	3,619
<b>Total current liabilities</b>			12,385	5,630
<b>Total equity and liabilities</b>			68,787	34,883
<b>Pledged assets</b>			Inga	Inga
<b>Contingent liabilities</b>			Inga	Inga

<b>Consolidated cash flow statement</b>	<b>Note</b>	<b>2003-01-01-- 2003-12-31</b>	<b>2002-01-01-- 2002-12-31</b>
<b>Operating activities</b>			
Result after financial items		10,937	-52,769
Adjustments for items not included in cash flow etc.		1,148	1,284
Depreciation and disposals		1,425	2,130
Tax		-25	-18
<b>Cash flow from operating activities before changes in working capital</b>		<b>13,485</b>	<b>-49,372</b>
<b>Changes in working capital</b>			
Increase in receivables		-7,045	-221
Increase in accounts payables		6,756	-2,299
<b>Cash flow from operating activities</b>		<b>13,196</b>	<b>-51,892</b>
<b>Investing activities</b>			
Acquisitions of intangible assets		-42,106	-559
Acquisitions of machinery and equipment		792	738
Investment in financial assets		420	5,853
Loans provided		260	-1,760
<b>Cash flow from investing activities</b>		<b>-40,634</b>	<b>4,272</b>
<b>Financing activities</b>			
Share premium upon issue of new shares		16,379	39,710
<b>Cash flow from financing activities</b>		<b>16,379</b>	<b>39,710</b>
<b>Cash flow for the year</b>		<b>-11,059</b>	<b>-7,910</b>
Liquid funds at the beginning of the year		23,632	32,932
Exchange difference, liquid funds		-1,290	-1,389
<b>Liquid funds at the end of the year</b>		<b>11,283</b>	<b>23,633</b>

<b>Parent company income statement</b>	<b>Not</b>	<b>2003-01-01-- 2003-12-31</b>	<b>2002-01-01-- 2002-12-31</b>
Other income	2	1,758	489
<b>Gross profit</b>		<u>1,758</u>	<u>489</u>
<b>Information about the business activities</b>	4, 3, 2		
Selling expenses		-2,510	-4,390
Administrative expenses	5	-3,182	-10,063
Research and development costs		<u>-9,190</u>	<u>-15,283</u>
<b>Operating loss</b>		<u>-13,124</u>	<u>-29,248</u>
<b>Result from financial investments</b>			
Other interest income and similar profit/loss items	6	41,860	5,565
Interest expenses and similar profit/loss items		<u>-169</u>	<u>-1,132</u>
<b>Total result from financial investments</b>		<u>41,691</u>	<u>4,433</u>
<b>Result after financial items</b>		28,567	-24,815
<b>Net profit (loss) for the year</b>		<u><u>28,567</u></u>	<u><u>-24,815</u></u>

Parent company balance sheet		Not	2003-12-31	2002-12-31
<b>Assets</b>	1			
Fixed assets				
Intangible fixed assets				
Patents	7		0	1,359
Tangible fixed assets				
Plant and machinery	8		0	691
Leasehold improvements	11		0	204
Equipment, tools, fixtures and fittings	9		0	575
			<u>0</u>	<u>1,469</u>
Financial fixed assets				
Shares in group activities			8,769	8,769
Deposits			0	1,010
			<u>8,769</u>	<u>9,779</u>
<b>Total fixed assets</b>			<u>8,769</u>	<u>12,608</u>
<b>Current assets</b>				
Current receivables			0	0
Other current investments	16		0	0
Receivables from group companies			135,530	73,478
Other current receivables			0	379
Prepaid expenses and accrued income	12		0	664
			<u>135,530</u>	<u>74,521</u>
Cash and bank balance			2,000	16,855
<b>Total current assets</b>			<u>137,530</u>	<u>91,376</u>
<b>Total assets</b>			<u>146,299</u>	<u>103,984</u>



<b>Equity and liabilities</b>		<b>Not</b>	<b>2003-12-31</b>	<b>2002-12-31</b>
Equity		13		
Restricted equity				
Share capital (42,545,168 shares at nom SEK 0,1each)			4,255	2,688
Share premium reserve			180,684	165,936
			<u>184,938</u>	<u>168,624</u>
Non-restricted equity				
Profit/loss brought forward			-67,206	-42,391
Net loss for the year			28,567	-24,815
Accumulated loss			<u>-38,639</u>	<u>-67,206</u>
<b>Total equity</b>			<u>146,299</u>	<u>101,418</u>
<b>Current liabilities</b>				
Accounts payable - trade			0	1,042
Other current liabilities			0	233
Unearned revenue			0	0
Accrued expenses and deferred income	14		0	1,291
<b>Total current liabilities</b>			<u>0</u>	<u>2,566</u>
<b>Total equity and liabilities</b>			<u>146,299</u>	<u>103,984</u>
Pledged assets			Inga	Inga
Contingent liabilities			Inga	Inga

<b>Cash flow statement</b>		<b>Not</b>	<b>2003-01-01-- 2003-12-31</b>	<b>2002-01-01-- 2002-12-31</b>
<b>Operating activities</b>				
Result after financial items			28,567	-24,815
Depreciation			-2,965	1,187
<b>Cashflow from operating activities before changes in working capital</b>			<u>25,602</u>	<u>-23,628</u>
<b>Changes in working capital</b>				
Increase in receivables			-61,009	-27,239
Increase in accounts payable - trade			-2,566	-2,792
<b>Cash flow from operating activities</b>			<u>-37,974</u>	<u>-53,660</u>
<b>Investing activities</b>				
Acquisitions of intangible assets			1,359	-559
Acquisitions of machinery and equipment			4,435	-273
Investment in financial assets			1,010	5,402
<b>Cash flow from investing activities</b>			<u>6,804</u>	<u>4,571</u>
<b>Financing activities</b>				
Share premium upon new issue of shares			16,314	39,664
<b>Cash flow from financing activities</b>			<u>16,314</u>	<u>39,664</u>
<b>Cash flow for the year</b>			<u>-14,855</u>	<u>-9,425</u>
Liquid funds at the beginning of the year			16,856	26,279
<b>Liquid funds at the end of the year</b>			2,000	16,855

## **Notes to the financial statements, applicable to the parent company and Group**

### **Note 1:**

### ***Accounting principles***

#### **Information about the business activities**

The annual report has been prepared according to the Annual Accounts Act and to the Swedish Accounting Standards Board.

#### **Consolidated financial statements**

The consolidated financial statements include subsidiaries, where the parent company directly or indirectly holds more than 50% of the votes.

The consolidated financial statements have been prepared in accordance with the acquisition accounting method, which means that the subsidiaries' equity at the date of acquisition, defined as the difference between the fair values of the assets and liabilities, is eliminated in full. Thus, the group equity includes only that portion of the subsidiaries' equity, which has been added after the date of acquisition.

If the acquisition value of the shares on consolidation exceeds the value of the subsidiary's net assets stated in the acquisition analysis, the difference is stated as goodwill on consolidation. If instead, the acquisition value of the shares on consolidation is less than the value of the company's net assets stated in the acquisition analysis, the difference is accounted for as a provision for negative goodwill. The provision is dissolved on the basis of expectations regarding the earnings trend.

The company applies the current method for the translation of the financial statements of foreign subsidiaries. This means that the assets and liabilities of the foreign subsidiaries are translated at the closing rate. All items included in the income statement are translated at the average rate for the year. Translation differences are taken directly to group equity.

If the parent company or another group company has taken measures to balance or hedge against exchange differences regarding a net investment in an independent subsidiary, the exchange difference in the hedge instrument is taken directly to equity, in so far as it is matched by a translation difference reported during the year for the subsidiary.

In case there is a difference in the valuation of assets and liabilities at group level and company level, the tax effect is taken into account and is reported either as a deferred tax asset or a deferred tax liability.

Inter-company profits are eliminated in full, i.e. without taking account of minority interests

Minority interests in the result for the year are shown in the consolidated financial statements. Minority interests in the subsidiaries' equity are presented as a separate item in the consolidated balance sheet.

#### **Receivables**

Receivables are stated in the amounts estimated to be received on the basis of individual assessment.

#### **Foreign currencies**

Receivables and payables in foreign currencies are valued at the closing rate. Where hedging measures have been taken, such as forward contracts, the forward rates are used. Gains and losses on receivables and payables relating to operations are accounted for net under other operating income or, alternatively, other operating expenses.

On hedging of future budgeted flows, the hedging instruments are not re-valued in case of exchange rate fluctuations. The entire effect of exchange rate fluctuations is accounted for in the income statement as the hedging instruments mature.

### **Fixed assets**

Tangible and intangible fixed assets are depreciated/amortised systematically over their estimated useful lives. The following periods of depreciation/amortisation are applied:

	Number of years
Intangible fixed assets	5
Equipment, tools, fixtures and fittings	5
Software	3
Improvements to property	Written down over the term of the lease

Interest on capital borrowed to finance the production of an asset is included in the acquisition value in so far as the interest is attributable to the production period.

### **Research and development**

Costs for research and development work are normally expensed as they arise.

### **Cash flow statement**

The cash flow statement is prepared in accordance with the indirect method. The reported cash flow comprises only transactions leading to inward and outward payments. The cash flow is allocated to

- operating activities,
- investing activities and
- financing activities.

### ***Inter-company purchases and sales***

#### **Note 2**

#### **Parent company**

Of the company's net sales, sales to subsidiaries account for SEK 0.

Of the company's purchases, purchases from subsidiaries account for KSEK 2 992 (KSEK 9 924).

Interest income from subsidiaries account for KSEK 5 071 ( KSEK 4 375).

For inter-company purchases and sales, the pricing principles applied are the same as for transactions between external parties.

#### **Note 3**

### ***Depreciation, amortisation, write-downs and reversals***

Depreciation of tangible fixed assets amount to KSEK 1 822 (KSEK 2 617) group and KSEK 767 (KSEK 1 187) for the parent company.

**Note 4**

**Average number of employees, wages, salaries, other emoluments and social security contributions**

<b>2003-01-01-- 2003-12-31</b>	<b>2002-01-01-- 2002-12-31</b>
------------------------------------	------------------------------------

The average number of employees, men and women, was

**Group**

Women	4	5
Men	17	25
Total for group	21	30

**Parent company**

Women	2	3
Men	9	13
Total for parent company	11	16

**Group**

Wages, salaries and emoluments paid to

President and board of directors	2,247	4,078
Other employees	16,806	22,859
Total wages, salaries and emoluments	19,053	26,937

Statutory and contractual social security contributions

Pension costs (of which for board and managing director SEK 95 442)	3,099	4,110
	948	1,290

Total wages, salaries, emoluments, social security contributions and pension costs for group

23,099	32,336
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**Parent company**

Wages, salaries and emoluments paid to

President and the board of directors	641	702
Other employees	6,106	7,234
Total wages, salaries and emoluments	6,747	7,936

Statutory and contractual social security contributions

Pension costs (of which for board and managing director SEK 95 442)	2,207	2,568
	948	1,290

Total wages, salaries, emoluments, social security contributions and pension costs for parent company

9,901	11,793
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Regarding severance pay for board of directors and CEO, the CEO has one year of salary upon notice.

**Board members and executive officers**

	<b>Number on balance day</b>	<b>2003 Whence Men</b>		<b>Number on balance day</b>	<b>2002 Whence Men</b>
Board members	6	100%		6	100%
Ceo and other executive officers	6	100%		7	100%

**Sick leave**

**7/1/2003  
--2003-12-31**

Total sick leave	0%
- longterm	0%
- sick leave men	0%
- sick leave women	0%
- employees - 29 years	0%
- employees 30 - 49 years	0%
- employees 50 years -	0%



**Note 5**

**Fees and remuneration**

Öhrlings Pricewaterhousecoopers

**Group**

Accounting fees

Other fees

Total

2003-01-01-- 2003-12-31	2002-01-01-- 2002-12-31
148	206
190	68
338	274

**Parent company**

Accounting fees

Other fees

Total

75	75
153	23
228	98

**Note 6**

**Other interest income and similar  
profit/loss items**

**Group**

Interest income

Total

2003-01-01-- 2003-12-31	2002-01-01-- 2002-12-31
393	1,242
393	1,242

**Parent company**

Interest income

Total

5,412	5,565
5,412	5,565

Of which relating to group companies

5,071 4,375

**Note 7**

**Patents**

**Group**

Patents

Balance brought forward

Capitalised costs

Restructure

Closing residual value according to plan

12/31/2003	12/31/2002
1,359	800
427	559
41,680	0
43,466	1,359

**Parent company**

Patents

Balance brought forward

Capitalised costs

Restructure

Closing residual value according to plan

1,359	800
427	559
-1,786	0
0	1,359

**Note 8**

**Plant and machinery**

**Group**

	<b>12/31/2003</b>	<b>12/31/2002</b>
Balance brought forward	3,969	3,900
-Purchases	94	359
-Disposal	-315	-197
-Currency translations	-248	-93
Closing accumulated acquisition values	<u>3,500</u>	<u>3,969</u>
Balance brought forward	-2,994	-1,817
-Purchases	235	80
-Disposal	-715	-1,320
-Currency translations	207	62
Closing accumulated depreciation	<u>-3,267</u>	<u>-2,994</u>
Closing residual value according to plan	<u>233</u>	<u>976</u>

**Parent company**

	<b>12/31/2003</b>	<b>12/31/2002</b>
Balance brought forward	3,024	2,752
-Purchases	94	273
-Disposal	-315	0
-Restructure	-2,803	0
Closing accumulated acquisition values	<u>0</u>	<u>3,024</u>
Balance brought forward	-2,333	-1,375
-Purchases	0	0
-Disposal	235	0
-Depreciation	-538	-958
-Restructure	2,636	0
Closing accumulated depreciation	<u>0</u>	<u>-2,333</u>
Closing residual value according to plan	<u>0</u>	<u>691</u>



**Note 9**

**Equipment, tools, fixtures  
and fittings**

12/31/2003	12/31/2002
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**Group**

Balance brought forward	2,109	2,315
-Purchases	5	0
-Currency translations	-176	-206
-Disposal	-225	0
Closing accumulated acquisition values	1,713	2,109
Balance brought forward	-887	-499
-Depreciation	-407	-446
-Currency translations	85	58
-Disposal	181	0
Closing accumulated depreciation	-1,028	-887
Closing residual value according to plan	685	1,222

**Parent company**

Balance brought forward	1,088	1,088
-Purchases	5	0
-Disposal	-225	0
-Restructure	-868	0
Closing accumulated acquisition values	0	1,088
Balance brought forward	-513	-296
-Depreciation	-218	-218
-Disposal	181	0
-Restructure	550	0
Closing accumulated depreciation	0	-513
Closing residual value according to plan	0	575

**Note 10**

**Software**

	<b>12/31/2003</b>	<b>12/31/2002</b>
<b>Group</b>		
Balance brought forward	222	267
-Purchases	0	0
-Currency translations	-38	-45
Closing accumulated acquisition values	184	222
Balance brought forward	-166	-110
-Depreciation	-61	-94
-Currency translations	46	38
Closing accumulated depreciation	-181	-166
Closing residual value according to plan	2	56

**Note 11**

**Costs of improvements to property**

	<b>12/31/2003</b>	<b>12/31/2002</b>
<b>Group</b>		
Balance brought forward	2,938	3,428
-Purchases	39	54
-Currency translations	-468	-543
-Disposal	-98	0
Closing accumulated acquisition values	2,411	2,938
Balance brought forward	-1,243	-667
-Depreciation	-638	-757
-Currency translations	269	181
-Disposal	12	0
Closing accumulated depreciations	-1,599	-1,243
Closing residual value according to plan	812	1,695

**Parent company**

Balance brought forward	220	220
-Purchases	39	0
-Disposal	-98	0
-Restructure	-161	0
Closing accumulated acquisition values	0	220
Balance brought forward	-17	-6
-Depreciation	-12	-11
-Disposal	12	0
-Restructure	16	0
Closing accumulated depreciations	0	-17
Closing residual value according to plan	0	204

**Note 12**

***Prepaid expenses and accrued income***

	<b>12/31/2003</b>	<b>12/31/2002</b>
<b>Group</b>		
Prepaid rents	382	468
Prepaid leasing	0	55
Accrued interest income	8	16
Unearned revenue	4,430	63
Prepaid insurance	180	194
Other prepaid expenses	163	178
Total	<u>5,163</u>	<u>974</u>
<b>Parent company</b>		
Prepaid rents	0	329
Prepaid leasing	0	55
Accrued interest income	0	16
Unearned revenue	0	63
Prepaid insurance	0	127
Other prepaid expenses	0	74
Total	<u>0</u>	<u>664</u>

**Note 13**

**Change in equity**

**Group**

**Restricted equity**

Share capital

Amount at the beginning of the year	2,688	23,044
New capital issue	1,567	2,185
Transfer to restricted reserves	0	-22,542
Amount at the end of the year	4,255	2,688

Restricted reserves

Amount at the beginning of the year	169,252	131,878
New capital issue	14,748	37,479
Transfer from share capital	0	0
Change in exchange difference	-1,290	-1,389
Deferred compensation	1,148	1,284
Adjustment from restricted equity to non-restricted equity	0	0
Amount at the end of the year	183,857	169,252
Total restricted equity at the end of the year	188,112	171,940

**Non-restricted equity**

Amount at the beginning of the year	-142,733	-112,489
Adjustment from restricted equity to non-restricted equity	0	22,542
Net result of the year	10,912	-52,786
Total non-restricted equity at the end of the year	-131,821	-142,733

**Parent company**

**Restricted equity**

Share capital

Amount at the beginning of the year	2,688	23,044
New capital issue	1,567	2,185
Transfer to share premium reserve	0	-22,542
Amount at the end of the year	4,255	2,688

Share premium reserve

Amount at the beginning of the year	165,936	128,457
New capital issue	14,748	37,479
Amount at the end of the year	180,684	165,936

Total restricted equity at the end of the year	184,938	168,624
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**Non-restricted equity**

Amount at the beginning of the year	-67,206	-64,933
Transfer from share capital	0	22,542
Net result of the year	28,567	-24,815
Amount of the year	-38,639	-67,206

**Note 14**

**Accrued expenses and deferred income**

	<b>2003-01-01-- 2003-12-31</b>	<b>2002-01-01-- 2002-12-31</b>
<b>Group</b>		
Accrued holiday pay	709	704
Accrued social security contributions	147	213
Accrued special employer's contribution	230	264
Unearned revenue	6,418	419
Other items	1,690	1,601
<b>Total</b>	<b>9,194</b>	<b>3,201</b>

**Parent company**

Accrued holiday pay	0	287
Accrued social security contributions	0	213
Accrued special employer's contribution	0	264
Unearned revenue	0	37
Other items	0	490
<b>Total</b>	<b>0</b>	<b>1,291</b>

**Note 15**

**Shares in group companies**

<b>Company name</b>	<b>Organisations nr</b>	<b>Säte</b>	<b>Kapitalandel (%)</b>
Global IP Sound Optioner AB	556585-5383	Stockholm, Sverige	100
Global IP Sound Inc.	94-3352605	San Francisco, USA	100
Global IP Sound Europe AB	556604-9366	Stockholm, Sverige	100

<b>Parent company</b>	<b>Kapital- andel %</b>	<b>Rösträtts- andel %</b>	<b>Antal aktier</b>	<b>Bokfört värde</b>
Global IP Sound Optioner AB	100	100	1 000	100,000
Global IP Sound Inc.	100	100	100,000	8,669,216
<b>Sum</b>				<b>8,769,216</b>

Global IP Sound Optioner AB has share capital of SEK 100 000. Equity amounts to SEK 89 705.  
Net loss of the year amounts to SEK 793.

Global IP Sound Inc. has a share capital of SEK 869. Equity amounts to SEK -61 368 350.  
Net loss of the year amounts to SEK 16 663 156.

**Note 16**

**Other long-term receivables**

The company's CEO, Gary Hermansen who is employed by Global IP Sound Inc, has per 2002-07-31 taken a loan at the amount of USD 200 000 from Global IP Sound Inc. Exchanged to Swedish krona (SEK) and including the interest consideration, the total loan per 2003-12-31 is MSEK 1,5. The loan carries interest at 3% per year. No repayment has been done during 2002. The loan runs till 2004-07-31 och shall be regulated in entirety per this date. As security 400 000 shares and/or warrants to buy in Brightmail Inc. are set.

**Note 17**

**New Capital Issue**

In 2003, the Company generated 16 314 351 in new capital. The source of those funds are describe below:

2003 Funding Activities	18,865,538
Issuance costs	<u>(2,551,187)</u>
	16,314,351

Stockholm 2004-

Gary Hermansen  
 President and CEO

Ditlef de Vibe  
 Chairman of the Board

Roar Hagen  
 Vice President

Kjell Rune Staddeland

Jørgen Kjærnes

Jörgen Axelsson

Trym Skeie

Our audit report has been issued on 2004-  
 PRICEWATERHOUSECOOPERS AB

Magnus Brändström  
 Auktoriserad revisor