EMERSON RADIO CORP
Form 10-K
June 25, 2014
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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

(Mark One)

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

For the Fiscal Year ended March 31, 2014

OR

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

For the transition period from __________ to __________

Commission File Number 001-07731

EMERSON RADIO CORP.

(Exact name of registrant as specified in its charter)

Delaware	**22-3285224**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
3 University Plaza, Suite 405, Hackensack, NJ	**07601**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code:

(973) 428-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, par value $.01 per share	**NYSE MKT**

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ YES x NO.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act). ¨ YES x NO.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirement for the past 90 days. x YES ¨ NO.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x YES ¨ NO.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ¨ YES x NO.

Aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates of the registrant at September 30, 2013 (computed by reference to the last reported sale price of the Common Stock on the NYSE MKT on such date): $22,346,712.

Number of Common Shares outstanding at June 25, 2014: 27,129,832

DOCUMENTS INCORPORATED BY REFERENCE:

Document	**Part of the Form 10-K**
Proxy Statement for 2014 Annual Meeting of Stockholders, or an amendment to this Annual Report on Form 10-K	Part III

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PART I

This Annual Report on Form 10-K contains, in addition to historical information, forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) that involve risks and uncertainties. See Business Forward Looking Statements.

Item 1. ***BUSINESS***
The Company Overview

Unless the context otherwise requires, the term the Company and Emerson, refers to Emerson Radio Corp. and its subsidiaries.

Emerson Radio Corp. was incorporated in Delaware in 1994. The Company designs, sources, imports and markets a variety of houseware and consumer electronic products, and licenses its trademarks to others on a worldwide basis for a variety of products.

For additional disclosures of the Company s major customers, as well as financial information about geographical areas of our operations, see Item 8 Financial Statements and Supplementary Data and Note 15 Geographic Information .

Controlling Shareholder

The Grande Holdings Limited (In Liquidation) (Grande) has, together with S&T International Distribution Limited (S&T), a subsidiary of Grande, and Grande N.A.K.S. Ltd., a subsidiary of Grande (together with Grande, the Reporting Persons), filed, on May 22, 2014, a Schedule 13D/A with the Securities and Exchange Commission (SEC) stating that, as of the filing date, the Reporting Persons had the shared power to vote and direct the disposition of 15,243,283 shares, or approximately 56.2%, of the outstanding common stock of Emerson. As the Reporting Persons, and by extension Grande (as their ultimate parent) have control of a majority of the outstanding shares of common stock of Emerson, Emerson is a Controlled company, as defined in Section 801(a) of the NYSE MKT Rules.

On May 31, 2011, upon application of a major creditor, the High Court of Hong Kong appointed Fok Hei Yu (who is also known by the anglicized name Vincent Fok), a current director and Chairman of the Board of the Company, and Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited (FTI), as Joint and Several Provisional Liquidators over Grande. Accordingly, as of May 31, 2011, the directors of Grande no longer have the ability to exercise control over Grande or the power to direct the voting and disposition of the 15,243,283 shares beneficially owned by Grande. Instead, Mr. Fok and Mr. Sutton, as Provisional Liquidators over Grande, currently have such power. In addition, on March 20, 2013, the Provisional Liquidators provided to Emerson a written statement that they are obligated to liquidate the 15,243,283 shares in the Company beneficially owned by Grande. However, in February 2014, the Provisional Liquidators for and on behalf of Grande issued a public announcement that Grande, among other things, had been in discussions with different investors to pursue a restructuring plan and the resumption of trading of Grande s shares on the Hong Kong Stock Exchange (HKSE). In addition, in May 2014, the Provisional Liquidators for and on behalf of Grande issued a public announcement (the Grande Public Announcement) disclosing that on May 2, 2014, Grande, the Provisional Liquidators and a creditor of Grande entered into an agreement to implement a restructuring proposal (the Grande Restructuring Proposal) submitted by a creditor of Grande. Based on information contained within the Grande Public Announcement, if this Grande Restructuring Proposal is implemented, Mr. Christopher Ho, who served as the Company s Chairman of the Board until November 2013 and is currently the sole director of Grande, and his associates would continue to have a majority interest in Grande. As disclosed in the Schedule 13D/A filed by the Reporting Persons on May 22, 2014, the Grande Restructuring Proposal includes a plan to re-list Grande on the HKSE and provides that many assets of Grande, including its shares of Emerson, would remain part of Grande. According to the Grande Public Announcement, the Grande Restructuring Plan will require approvals, consents and sanctions of the HKSE, courts in Hong Kong and Bermuda, and the creditors and shareholders of Grande. In addition, on June 11, 2014, Grande announced that it had received a summons issued by a creditor of Grande seeking the removal of the Provisional Liquidators.

It is not possible at this time to predict whether the Grande Restructuring Proposal will receive all necessary approvals, nor can there be any assurances regarding the timing, terms or effects of implementing the Grande Restructuring Proposal or if the Provisional Liquidators will be removed. However, even though the Provisional Liquidators continue to maintain the ability to exercise the power to direct the voting and disposition of shares, as long as the Provisional Liquidators are pursuing this restructuring proposal that would result in Grande retaining beneficial ownership of the 15,243,283 shares of Emerson common stock, the Provisional Liquidators may not be actively seeking to liquidate those shares. If the Grande Restructuring Proposal is completed as described within the Grande Public Announcement, it is expected that the 15,243,283 shares of Emerson common stock held of record by Grande s subsidiary, S&T, would remain with S&T and that Grande would once again have the power to direct the voting and disposition of this 56.2% controlling interest in Emerson common stock. It is not possible at this time to predict what impact the removal of the Provisional Liquidators would have on the Grande Restructuring Proposal or Emerson and Emerson cannot predict nor provide any assurances regarding the possible effects on the Company, its shareholders, the trading price of its common stock or any other consequences that could result if the Grande Restructuring Proposal is approved and Grande again has the power to control Emerson.

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Supervision and Regulation

The Company files reports and other information with the SEC pursuant to the information requirements of the Securities Exchange Act of 1934. Readers may read and copy any document the Company files at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operations of the public reference room. The Company s filings with the SEC are also available to the public from commercial document retrieval services and at the SEC s website at www.sec.gov.

The Company makes available through its internet website free of charge its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to such reports and other filings made by the Company with the SEC, as soon as practicable after the Company electronically files such reports and filings with the SEC. The Company s website address is www.emersonradio.com. The information contained in the Company s website is not incorporated by reference in this report.

General

The Company, directly and through several subsidiaries, designs, sources, imports, markets, sells and licenses to certain licensees a variety of houseware and consumer electronic products, both domestically and internationally, under the Emerson® brand names. These products primarily include:

- microwave ovens, compact refrigerators and wine coolers;
- clock radios and portable audio products;
- televisions.

The Company believes it possesses an advantage over its competitors due to the combination of:

- recognition of the Emerson® brand;
- the Company s distribution base and established customer relations;
- the Company s sourcing expertise and established vendor relations;
- an infrastructure with personnel experienced in servicing and providing logistical support to the domestic mass merchant distribution channel; and
- the Company s extensive experience in establishing license and distribution agreements on a global basis for a variety of products.

The Company intends to continue leveraging its core competencies to offer a variety of current and new houseware and consumer electronic products to customers. In addition, the Company intends to continue entering into licenses for the use of its trade names and trademarks by third parties, which the Company refers to as outward licenses . The Company continues to enter into distribution agreements that leverage its trademarks and utilize the logistical and sourcing advantages of unrelated third-parties for products that are more efficiently marketed through these agreements. The Company continuously evaluates potential licenses and distribution agreements. See Licensing and Related Activities.

The Company s core business consists of selling, distributing, and licensing various low and moderately priced houseware and consumer electronic products in various categories. A substantial portion of the Company s marketing and sales efforts are concentrated in the United States, although the Company also sells, or licenses for sale, its products in certain other international regions.

Products

The Company s current product and branded categories consist primarily of the following:

Houseware Products	**Audio Products**	**Other**
Microwave ovens	Clock radios	Televisions
Compact refrigerators	Portable audio products	
Wine coolers		

Sales and Distribution

The Company s Direct Import Program allows its customers to import and receive product directly from its contracted manufacturers located outside the United States. Under the Direct Import Program, title for the Company s product passes to the customer in the country of origin when the product is shipped by the manufacturer. The Company also sells product to customers from its United States warehoused inventory, which is referred to as the Domestic Program. Under the Domestic Program, title for product typically passes at the time of shipment. Under both programs, the Company recognizes revenues at the time title passes to the customer. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.

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The Company has an integrated system to coordinate the purchasing, sales and distribution aspects of its operations. The Company receives orders from its major customers via electronic data interface, facsimile, telephone or mail. The Company does not have long-term contracts with any of its customers, but rather receives orders on an ongoing basis. Products imported by the Company for the Domestic Program, generally from factories in Asia, are shipped by ocean and/or inland freight and then stored in the Company s warehouse facilities for shipment to customers. The Company monitors its inventory levels and goods in transit through the use of an electronic inventory system. When a purchase order under the Domestic Program is received, it is filled from the Company s inventory and the warehoused product is labeled and prepared for outbound shipment to the customer by common, contract or small package carrier.

Income Tax Issues Concerning Overseas Income

On April 15, 2013 and June 5, 2013, the Company received correspondence from the U.S Internal Revenue Service (the IRS), including a (i) Form 5701 and Form 886-A regarding Adjusted Sales Income (collectively referred to as NOPA 1) and (ii) Form 5701 and Form 886-A regarding Adjusted Subpart F-Foreign Base Company Sales Income (collectively referred to as NOPA 2).

With respect to NOPA 1, the IRS is (i) challenging the position of the Company with respect to the way the Company s controlled foreign corporation in Macao (the Macao CFC) recorded its product sales during Fiscal 2010 and Fiscal 2011 and (ii) asserting that an upward adjustment to the Company s Fiscal 2010 and Fiscal 2011 taxable income of $4,981,520 and $5,680,182, respectively, is required.

With respect to NOPA 2, the IRS is challenging the position of the Company with respect to the fact that the Company considered the service fee paid by the Company to the Macao CFC to be non-taxable in the US. The IRS has taken the position that the service fee paid to the Macao CFC by the Company constitutes foreign base company sales income (FBCSI). The IRS asserts that the service fee earned by the Macao CFC in connection with its sale of products to the Company should be taxable to the Company as FBCSI. As a result, the IRS determined that an upward adjustment to the Company s Fiscal 2010 and Fiscal 2011 taxable income of $1,553,984 and $1,143,162, respectively, is required.

The Company has evaluated the determinations made by the IRS as set forth in each of NOPA 1 and NOPA 2 in order to decide (a) how it will proceed and (b) the potential impact on the Company s financial condition and operations. Furthermore, although NOPA 1 and NOPA 2 represent potential adjustments to Fiscal 2010 and Fiscal 2011 only, the Company believes it is likely that the IRS will take the position that the same type of adjustments should be made for each of the Company s subsequent fiscal years. The assessment and payment of such additional taxes, penalties and interest would have a material adverse effect on the Company s financial condition and results of operations.

With respect to NOPA 1, the Company is disputing the proposed adjustment with the IRS. In the event that the Company is not successful in its dispute, the Company estimates that it could be liable for a maximum in taxes, penalties and interest of approximately $14.9 million pertaining to NOPA 1, in the aggregate, for its Fiscal 2010, Fiscal 2011, Fiscal 2012, Fiscal 2013 and Fiscal 2014 periods. However, because the Company s current assessment is that its appeal of NOPA 1 is more likely than not to be successful, the Company has not recorded any liability to its March 31, 2014 or March 31, 2013 balance sheets related to NOPA 1.

With respect to NOPA 2, the Company agrees in principle with the IRS position that the service fee paid to the Macao CFC by the Company would be treated as FBCSI and taxable to the Company but the Company does not agree with the adjustment to the Company s taxable income as calculated by the IRS. However, the Company has estimated as approximately $1.1 million the amount of taxes, penalties and interest for which it would be liable for its Fiscal 2010, Fiscal 2011, Fiscal 2012 and Fiscal 2013 periods using the adjustments to taxable income as proposed by the IRS, and such amount was recorded by the Company as tax expense during Fiscal 2013. In addition, the Company began at this time to prospectively recognize the service fee, net of related expenses, paid to the Macao CFC as FBCSI taxable income to the Company. During Fiscal 2014, the Company remitted approximately $0.9 million of this estimated liability to the IRS, and plans to remit the balance of $0.2 million upon final agreement of this amount due with the IRS.

Domestic Marketing

In the United States, the Company markets its products primarily through mass merchandisers.

In fiscal 2014 and 2013, Target accounted for approximately 58% and 44% of the Company s net revenues, respectively, and Wal-Mart accounted for approximately 22% and 45% of the Company s net revenues, respectively. No other customer accounted for more than 10% of net revenues in either period. As a percent of the Company s total trade accounts receivable, net of specific reserves, Wal-Mart and Target accounted for 58% and 36% as of March 31, 2014, respectively, and 45% and 44% as of March 31, 2013, respectively. Management believes that a loss, or a significant reduction, of sales to Target or Wal-Mart would have a material adverse effect on the Company s business and results of operations.

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As previously reported by the Company, the Company was informed in 2012 by Wal-Mart that, commencing in the Spring of 2013, Wal-Mart would discontinue purchasing from Emerson two microwave oven products that had been sold by the Company to Wal-Mart.

Emerson continued shipping these products to Wal-Mart throughout the remainder of Fiscal 2013 (the year ending March 31, 2013), with sales of such products declining through the fourth quarter of Fiscal 2013. During Fiscal 2013, these two microwave oven products comprised, in the aggregate, approximately $36.1 million, or 29.7%, of the Company s net product sales.

Emerson anticipates that the full impact of Wal-Mart s decision has been realized by the Company in Fiscal 2014, which began on April 1, 2013. As previously disclosed by the Company, the complete loss of, or significant reduction in, business with either of the Company s key customers will have a material adverse effect on the Company s business and results of operations. Accordingly, Wal-Mart s decision has had a material adverse effect on the Company s business and results of operations. The Company is considering various strategic initiatives, including a complete analysis of its current and prospective product lines and pricing strategies, although there can be no assurance that the Company will be able to increase sales of such products at levels sufficient to offset the adverse impact of Wal-Mart s decision, if at all.

As a result of the above, during the twelve months ending March 31, 2014, sales of these two products by the Company were nil as compared to approximately $36.1 million during the twelve months ending March 31, 2013.

Approximately 65% and 47% of the Company s net revenues in fiscal 2014 and 2013, respectively, were made through third-party sales representative organizations that receive sales commissions and work in conjunction with the Company s own sales personnel. With the Company s permission, third-party sales representative organizations may sell competitive products in addition to the Company s products. In most instances, either party may terminate a sales representative relationship on 30 days prior notice by the Company and 90 days prior notice by the sales representative organization in accordance with customary industry practice. In fiscal 2014, the Company utilized 11 sales representative organizations, including one through which approximately 61% of its net revenues, including revenues from one of the Company s two major customers described above, were made in fiscal 2014. In fiscal 2013, the Company utilized 10 sales representative organizations, including one through which approximately 43% of its net revenues, including revenues from one of the Company s two major customers described above, were made in fiscal 2013. No other sales representative organization accounted for more than 10% of net revenues in either year. The remainder of the Company s sales is to customers that are serviced by its sales personnel. Although sales and operating results could be negatively impacted, management does not believe that the loss of one or more sales representative organizations would have a material adverse effect on its business and results of operations, as the Company believes that new sales representative organizations could be identified if needed, although that could be a time consuming process.

Foreign Marketing

The Company primarily markets and distributes its products in the United States. Accordingly, foreign sales account for less than 10% of total revenues and are not considered material.

Licensing and Related Activities

Throughout various parts of the world, the Company is party to numerous distribution and outward license agreements with third party licensees that allow the licensees to manufacture and/or sell various products bearing the Company s trademarks into defined geographic areas. The Company believes that such activities have had and will continue to have a positive impact on operating results by generating income with minimal, if any, incremental costs and without any working capital requirements, and intends to pursue additional licensing and distribution opportunities. The Company continues to protect its brand through rigid license and product selection and control processes. See Item 1A Risk Factors Business Related Risks The failure by the Company to maintain its relationships with its licensees, licensors and distributors, or the failure to obtain new licensees, licensors and distributions relationships could materially adversely affect the Company s revenues and earnings , Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 12 License Agreements .

Design and Manufacturing

The Company s products are manufactured by original equipment manufacturers in accordance with the Company s specifications. During fiscal 2014 and 2013, 100% of the Company s purchases consisted of finished goods from foreign manufacturers located in People s Republic of China, substantially all of which were imported into the United States.

The Company s design team is responsible for product development and works closely with suppliers. The Company s engineers determine the detailed cosmetic, electronic and other features for new products, which typically incorporate commercially available electronic parts to be assembled according to the Company s designs. Accordingly, the exterior designs and operating features of the products reflect the Company s judgment of current styles and consumer preferences.

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The following summarizes the Company s purchases from its major suppliers that provided more than 10% of the Company s total purchases in fiscal 2014 and 2013:

	Fiscal Year	
Supplier	**2014**	**2013**
Midea	64%	67%
Hisense	12%	10%
Wanbao	11%	*

* Less than 10%

The Company considers its relationships with its suppliers to be satisfactory and believes that, barring any unusual material or part shortages or economic, fiscal or monetary conditions, the Company could develop alternative suppliers. No assurance can be given that ample supply of product would be available at current prices and on current credit terms if the Company were required to seek alternative sources of supply without adequate notice by a supplier or a reasonable opportunity to seek alternate production facilities and component parts (see Item 1A Risk Factors Business Related Risks Uncertain Impact of Appointment of Provisional Liquidators for Grande, Emerson s Controlling Shareholder and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations).

Warranties

The Company offers limited warranties for its consumer electronics, comparable to those offered to consumers by the Company s competitors in the United States. Such warranties typically consist of a one year period for microwaves and compact refrigerators and a 90 day period for audio products, under which the Company pays for labor and parts, or offers a new or similar unit in exchange for a non-performing unit.

Returned Products

The Company s customers return product for a variety of reasons, including:

- retailer return policies with their customers;
- damage to goods in transit and cosmetic imperfections; and
- mechanical failures.

Backlog

The Company does not believe that backlog is a significant factor. The ability of management to correctly anticipate and provide for inventory requirements is essential to the successful operation of the Company s business.

Trademarks

The Company owns the following principal trademarks for certain consumer electronic products in the United States, Canada, Mexico and various other countries:

Emerson®

Emerson Research®

H.H. Scott®

iDEA®

IDIVA®

Ölevia®

Scott®

SmartSet®

The Company s trademark registrations must be renewed at various times. The Company intends to renew all trademarks necessary for the conduct of its business. The Company considers the Emerson® trademark to be of material importance to its business and, to a lesser degree, the remaining trademarks. The Company licenses the Emerson® and certain of its other trademarks to third parties, the scope of which is on a limited product and geographic basis and for a period of time. See Licensing and Related Activities.

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Competition

The Company primarily competes in the low-to-medium-priced sector of the housewares and consumer electronics market. Management estimates that the Company has several dozen competitors that are manufacturers and/or distributors, many of which are much larger and have greater financial resources than the Company. The Company competes primarily on the basis of:

- brand recognition;
- reliability;
- quality;
- price;
- design;
- consumer acceptance of the Company s products; and
- the quality of service and support provided to retailers and their customers.

The Company also competes at the retail level for shelf space and promotional displays, all of which have an impact on its success in established and proposed distribution channels.

Working Capital

The Company anticipates that its cash on hand and cash flows generated from operations will provide sufficient liquidity to meet the Company s operating requirements in the year ahead (see Item 1A Risk Factors Business Related Risks Uncertain Impact of Appointment of Provisional Liquidators for Grande, Emerson s Controlling Shareholder).

Government Regulation

Pursuant to the Tariff Act of 1930, as amended, the Trade Act of 1974 and regulations promulgated there under, the United States government charges tariff duties, excess charges, assessments and penalties on many imports. These regulations are subject to continuous change and revision by government agencies and by action of the United States Trade Representative and may have the effect of increasing the cost of goods purchased by the Company or limiting quantities of goods available to the Company from our overseas suppliers. A number of states have adopted statutes regulating the manner of determining the amount of payments to independent service centers performing warranty service on products such as those sold by the Company. Additional Federal legislation and regulations regarding the importation of consumer electronics products, including the products marketed by the Company, have been proposed from time to time and, if enacted into law, could adversely affect the Company s financial condition and results of operations.

Product Liability and Insurance

Because of the nature of the products it sells, the Company is periodically subject to product liability claims resulting from personal injuries. The Company may also become involved in various lawsuits incidental to its business.

Although the Company maintains product liability insurance coverage, there can be no absolute assurance that the Company s coverage limits will be sufficient to cover any successful product liability claims made against it in the future. In management s opinion, any ultimate liability arising out of currently pending product liability claims will not have a material adverse effect on the Company s financial condition or results of operations. However, any claims substantially in excess of the Company s insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on the Company s financial condition and results of operations.

Employees

As of June 16, 2014, the Company had approximately 42 employees, comprised of 22 in the United States and 20 in Asia. None of the Company s employees are represented by unions, and the Company believes its labor relations are good.

Item 1A. ***Risk Factors***

The reader should carefully consider these risk factors in addition to those set forth in the Company s financial statements or the notes thereto. Additional risks about which the Company is not yet aware or that the Company currently believes to be immaterial also may adversely affect the Company s business operations. If any of the following occur, the Company s business, financial condition or operating results may be adversely affected. In that case, the price of the Company s common stock may decline.

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Business Related Risks

Uncertain Impact of Appointment of Provisional Liquidators for Grande, Emerson s Controlling Shareholder.

The consequences for the Company, if any, of the appointment of Provisional Liquidators over Grande and the subsequent filing by Grande with the United States Bankruptcy Court in Manhattan in June 2011 of a Chapter 15 petition under the United States Bankruptcy Code are uncertain at this time, although it is possible, as noted below and elsewhere in this Annual Report on Form 10-K, that actions taken by the Provisional Liquidators over Grande could affect in an adverse way a number of significant aspects of the Company s business. Subsequent to the appointment, certain major factory suppliers, including Midea, significantly reduced the maximum amount of open credit lines available to the Company and requested that the Company make accelerated payments to them to reduce the balances owing from the Company on its open trade payable accounts with the respective factory suppliers to comply with such new credit terms. The Company relies on its cash on hand and cash generated by ongoing operations to manage its business.

The Provisional Liquidators informed Emerson, on June 1, 2011, that they do not have any intention of interrupting the business of Emerson, that Emerson will continue to be operated as usual without interruption, and that they did not have any intent at that point of disposing of the shares of Emerson stock held by Grande. Subsequently, on March 20, 2013, the Provisional Liquidators informed Emerson that they are obligated to liquidate the 15,243,283 shares beneficially owned by Grande. However, in February 2014, the Provisional Liquidators for and on behalf of Grande issued a public announcement that Grande, among other things, had been in discussions with different investors to pursue a restructuring plan and the resumption of trading of Grande s shares on the HKSE. In addition, in May 2014, the Provisional Liquidators for and on behalf of Grande issued the Grande Public Announcement , disclosing that on May 2, 2014, Grande, the Provisional Liquidators and a creditor of Grande entered into an agreement to implement the Grande Restructuring Proposal submitted by a creditor of Grande. Based on information contained within the Grande Public Announcement, if the Grande Restructuring Proposal is implemented, Mr. Christopher Ho, who served as the Company s Chairman of the Board until November 2013 and is currently the sole director of Grande, and his associates would continue to have a majority interest in Grande. As disclosed in the Schedule 13D/A filed by the Reporting Persons on May 22, 2014, the Grande Restructuring Proposal includes a plan to re-list Grande on the HKSE and provides that many assets of Grande, including its shares of Emerson, would remain part of Grande. According to the Grande Public Announcement, the Grande Restructuring Plan will require approvals, consents and sanctions of the HKSE, courts in Hong Kong and Bermuda, and the creditors and shareholders of Grande. In addition, on June 11, 2014, Grande announced that it had received a summons issued by a creditor of Grande seeking the removal of the Provisional Liquidators.

It is not possible at this time to predict whether the Grande Restructuring Proposal will receive all necessary approvals, nor can there be any assurances regarding the timing, terms or effects of implementing the Grande Restructuring Proposal or if the Provisional Liquidators will be removed. However, even though the Provisional Liquidators continue to maintain the ability to exercise the power to direct the voting and disposition of shares, as long as the Provisional Liquidators are pursuing this restructuring proposal that would result in Grande retaining beneficial ownership of the 15,243,283 shares of Emerson common stock, the Provisional Liquidators may not be actively seeking to liquidate those shares. If the Grande Restructuring Proposal is completed as described within the Grande Public Announcement, it is expected that the 15,243,283 shares of Emerson common stock held of record by Grande s subsidiary, S&T, would remain with S&T and that Grande would once again have the power to direct the voting and disposition of this 56.2% controlling interest in Emerson common stock. It is not possible at this time to predict what impact the removal of the Provisional Liquidators would have on the Grande Restructuring Proposal or Emerson and Emerson cannot predict nor provide any assurances regarding the possible effects on the Company, its shareholders, the trading price of its common stock or any other consequences that could result if the Grande Restructuring Proposal is approved and Grande again has the power to control Emerson.

The controlling ownership of the Company s common stock by an indirect subsidiary of Grande substantially reduces the influence of other stockholders, and the interests of Grande may conflict with the interests of the Company s other stockholders.

Grande, through one of its indirect subsidiaries, is the beneficial owner of a significant amount of the Company s outstanding common stock as of June 16, 2014 (see Item 1 Business Controlling Shareholder for disclosures regarding the approximate shareholding position of Grande in the Company). However, as described in this report, the directors of Grande no longer have the ability to exercise control over Grande or the power to direct the voting and disposition of the Company s shares beneficially owned by Grande. Instead, the Provisional Liquidators currently have such power. As a result, Grande, through the Provisional Liquidators, currently controls significantly the approval process for actions that require stockholder approval, including: the election of the Company s directors and the approval of mergers, sales of assets or other significant corporate transactions or matters submitted for stockholder approval. Because of Grande s ownership position, other stockholders have little or no influence over matters submitted for stockholder approval. In addition, several provisions of the Company s organizational documents and Delaware law may deter or prevent a takeover attempt, including a takeover attempt in which the potential purchaser offers to pay a per share price greater than the current market price of its common stock. Under the terms of the Company s certificate of incorporation, its board of directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The ability to issue shares of preferred stock could tend to discourage takeover or acquisition proposals not supported by its current board of directors.

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Two of the Company s directors also hold positions within or exert influence over Grande or its subsidiaries and have loyalties and fiduciary obligations to both Grande and the Company.

Vincent Fok, the Company s Chairman of the Board, is also one of two Joint and Several Provisional Liquidators over Grande, and Duncan Hon, the Chief Executive Officer and a director of the Company, also is an officer of certain subsidiaries of Grande. As described in Note 3 to the Company s financial statements and in the Company s previous filings with the SEC, there have been certain related party transactions between the Company and certain subsidiaries and affiliates of Grande.

As a result, although the Company has established adequate procedures designed to ensure that related party transactions are fair to the Company, Messrs. Fok and Hon may have conflicts of interest when acting on behalf of the Company or on behalf of Grande.

The loss or significant reduction in business with either of the Company s key customers, Target and Wal-Mart, would materially and adversely affect the Company s revenues and earnings.

The Company is highly dependent upon sales of its products to Target and Wal-Mart. For the fiscal years ended March 31, 2014 and 2013, Target accounted for approximately 58% and 44%, respectively, of the Company s net revenues, and Wal-Mart accounted for approximately 22% and 45% of the Company s net revenues, respectively. No other customer accounted for more than 10% of the Company s net revenues during these periods. All customer purchases are made through purchase orders and the Company does not have any long-term contracts with its customers. The complete loss of, or significant reduction in business from, or a material adverse change in the financial condition of, Target or Wal-Mart would cause a material and adverse change in the Company s revenues and operating results.

As previously reported by the Company, the Company was informed in 2012 by Wal-Mart that, commencing in the Spring of 2013, Wal-Mart would discontinue purchasing from Emerson two microwave oven products that had been sold by the Company to Wal-Mart.

Emerson continued shipping these products to Wal-Mart throughout the remainder of Fiscal 2013 (the year ending March 31, 2013), with sales of such products declining through the fourth quarter of Fiscal 2013. During Fiscal 2013, these two microwave oven products comprised, in the aggregate, approximately $36.1 million, or 29.7%, of the Company s net product sales.

Emerson anticipates that the full impact of Wal-Mart s decision has been realized by the Company in Fiscal 2014, which began on April 1, 2013. As previously disclosed by the Company, the complete loss of, or significant reduction in, business with either of the Company s key customers will have a material adverse effect on the Company s business and results of operations. Accordingly, Wal-Mart s decision has had a material adverse effect on the Company s business and results of operations. The Company is considering various strategic initiatives, including a complete analysis of its current and prospective product lines and pricing strategies, although there can be no assurance that the Company will be able to increase sales of such products at levels sufficient to offset the adverse impact of Wal-Mart s decision, if at all.

As a result of the above, during the twelve months ending March 31, 2014, sales of these two products by the Company were nil as compared to approximately $36.1 million during the twelve months ending March 31, 2013.

The Company may be liable for additional tax payments to the IRS in connection with the extraordinary dividend paid by the Company to recipients on March 24, 2010 which would have a material adverse effect on the

Company s financial condition.

On March 2, 2010, the Board declared an extraordinary dividend of $1.10 per common share which was paid on March 24, 2010. In connection with the Company s determination as to the taxability of the dividend, the Board relied upon information and research provided to it by the Company s tax advisors and, in reliance on the stock-for-debt exception in the Internal Revenue Code Sections 108(e)(8) and (e)(10), concluded that 4.9% of such dividend paid was taxable to the recipients.

In August 2012, the Company received a Form 886-A from the IRS which challenges the Company s conclusions and determines that the Company does not qualify for the above-referenced exception. Accordingly, the IRS has concluded that 100% of the dividend paid was taxable to the recipients. The Company is defending its position and calculations and is contesting the position asserted by the IRS. The Company prepared and, on October 25, 2012, delivered its rebuttal to the IRS contesting the IRS determination. There can be no assurance that the Company will be successful in defending its position.

In the event that the Company is not successful in establishing with the IRS that the Company s calculations were correct, then the shareholders who received the dividend likely will be subject to and liable for an assessment of additional taxes due. Moreover, the Company may be contingently liable for taxes due by certain of its shareholders resulting from the dividend paid by the Company.

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Initially, the Company withheld from the dividend paid to foreign shareholders an amount equal to the tax liability associated with such dividend. On April 7, 2010, upon a request made to the Company by its foreign controlling shareholder, S&T, the Company entered into an agreement with S&T (the Agreement), whereby the Company returned to S&T on April 7, 2010 that portion of the funds withheld for taxes from the dividend paid on March 24, 2010 to S&T, which the Company believes is not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits. The Agreement includes provisions pursuant to which S&T agreed to indemnify the Company for any liability imposed on it as a result of the Company s agreement not to withhold such funds for S&T s possible tax liability and a pledge of stock as collateral. The Company continues to assert that such dividend is largely not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits. In addition, the Company also continues to assert that this transaction results in an off-balance sheet arrangement and a possible contingent tax liability of the Company, which, if recognized, would be offset by the calling by the Company on S&T of the indemnification provisions of the Agreement.

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In February 2011, upon the request of S&T to the Company, the Company and S&T agreed that the collateral pledged as a part of the Agreement would no longer be required and such collateral was returned by the Company to S&T in March 2011 and the Agreement was amended and restated to remove the collateral requirement but retain the indemnification provisions. The Agreement, as amended (the Amended Agreement), remains in effect as of today. In the event that (i) the Company is not successful in establishing with the IRS that the Company s calculations were correct and (ii) S&T is unable or unwilling to pay the additional taxes due or indemnify the Company under the terms of the Amended Agreement, the Company may be liable to pay such additional taxes, which, together with penalties and interest, are currently estimated by the Company to be approximately $4.7 million as of March 31, 2014. Any such liability, should it be required to be recognized by the Company, would likely have a material adverse effect on the Company s results of operations in the period recognized. S&T is a subsidiary of Grande, which is currently in liquidation (as described above under *Controlling Shareholder*). Therefore, the ability of the Company to enforce its rights to indemnification under the Amended Agreement and to collect from S&T any additional taxes, interest and penalties due may be severely impaired.

The Company will be liable for additional taxes, penalties and interests payable to the IRS if it is not successful in establishing the tax treatment for its Macao Controlled Foreign Corporation which may have a material adverse effect on the Company s financial condition and results of operations.

On April 15, 2013 and June 5, 2013, the Company received correspondence from the IRS including a (i) Form 5701 and Form 886-A regarding Adjusted Sales Income (collectively referred to as NOPA 1) and (ii) Form 5701 and Form 886-A regarding Adjusted Subpart F-Foreign Base Company Sales Income (collectively referred to as NOPA 2).

With respect to NOPA 1, the IRS is (i) challenging the position of the Company with respect to the way the Company s controlled foreign corporation in Macao (the Macao CFC) recorded its product sales during Fiscal 2010 and Fiscal 2011 and (ii) asserting that an upward adjustment to the Company s Fiscal 2010 and Fiscal 2011 taxable income of $4,981,520 and $5,680,182, respectively, is required.

With respect to NOPA 2, the IRS is challenging the position of the Company with respect to the fact that the Company considered the service fee paid by the Company to the Macao CFC to be non-taxable in the US. The IRS has taken the position that the service fee paid to the Macao CFC by the Company constitutes foreign base company sales income (FBCSI). The IRS asserts that the service fee earned by the Macao CFC in connection with its sale of products to the Company should be taxable to the Company as FBCSI. As a result, the IRS determined that an upward adjustment to the Company s Fiscal 2010 and Fiscal 2011 taxable income of $1,553,984 and $1,143,162, respectively, is required.

The Company has evaluated the determinations made by the IRS as set forth in each of NOPA 1 and NOPA 2 in order to decide (a) how it will proceed and (b) the potential impact on the Company s financial condition and operations. Furthermore, although NOPA 1 and NOPA 2 represent potential adjustments to Fiscal 2010 and Fiscal 2011 only, the Company believes it is likely that the IRS will take the position that the same type of adjustments should be made for each of the Company s subsequent fiscal years. The assessment and payment of such additional taxes, penalties and interest would have a material adverse effect on the Company s financial condition and results of operations.

With respect to NOPA 1, the Company is disputing the proposed adjustment with the IRS. In the event that the Company is not successful in its dispute, the Company estimates that it could be liable for a maximum in taxes, penalties and interest of approximately $14.9 million pertaining to NOPA 1, in the aggregate, for its Fiscal 2010, Fiscal 2011, Fiscal 2012, Fiscal 2013 and Fiscal 2014 periods. However, because the Company s current assessment is that its appeal of NOPA 1 is more likely than not to be successful, the Company has not recorded any liability to its March 31, 2014 or March 31, 2013 balance sheets related to NOPA 1.

With respect to NOPA 2, the Company agrees in principle with the IRS position that the service fee paid to the Macao CFC by the Company would be treated as FBCSI and taxable to the Company but the Company does not agree with the adjustment to the Company s taxable income as calculated by the IRS. However, the Company has estimated as approximately $1.1 million the amount of taxes, penalties and interest for which it would be liable for its Fiscal 2010, Fiscal 2011, Fiscal 2012 and Fiscal 2013 periods using the adjustments to taxable income as proposed by the IRS, and such amount was recorded by the Company as tax expense during Fiscal 2013. In addition, the Company began at this time to prospectively recognize the service fee, net of related expenses, paid to the Macao CFC as FBCSI taxable income to the Company. During Fiscal 2014, the Company remitted approximately $0.9 million of this estimated liability to the IRS, and plans to remit the balance of $0.2 million upon final agreement of this amount due with the IRS.

The failure by the Company to maintain its relationships with its licensees and distributors or the failure to obtain new licensees or distribution relationships could materially and adversely affect the Company s revenues, earnings and business.

The Company maintains agreements that allow licensees to use the Company s trademarks for the manufacture and sale of specific consumer electronics and other products. In addition, the Company maintains agreements for the distribution of products bearing its brands into defined geographic areas. Although the Company has entered into agreements with certain of its licensees and distributors of its products, most have terms of three years or less, including the Company s agreement with Funai, which accounts for approximately 86% of the Company s total licensing revenue and which contributes substantial product volume and market presence through Funai s manufacture and distribution of products utilizing the Emerson® brand name in the United States. Although the agreement with Funai has been amended and extended several times, including most recently in December 2013 to extend the term of the agreement until March 31, 2018, the Company cannot assure that the Funai license or any other such agreements will be renewed in the future or that the Company s relationships with its licensees, including Funai, or distributors will be maintained on satisfactory terms or at all. The failure to maintain its relationships with Funai and other licensees and distributors on terms satisfactory to the Company, the failure to obtain new licensees or distribution relationships or the failure by the Company s licensees to protect the integrity and reputation of the Company s trademarks could materially and adversely affect the Company s licensing revenues and earnings. In addition, since the Funai license provides a substantial contribution to and enhancement of the Emerson® brand name in the U.S. marketplace, the failure by the Company to maintain its relationship and licensing agreement with Funai on terms satisfactory to the Company could also materially and adversely affect the Company s business.

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The Company depends on a limited number of suppliers for its products. The inability to secure products could reduce the Company s revenues and adversely affect its relationship with its customer, and the inability to secure products at competitive costs could negatively impact the Company s earnings.

Although there are multiple suppliers for each of the Company s products, the Company relies and is dependent on a limited number of suppliers for its main products, all of which are located outside of the United States. This reliance involves a number of significant potential risks, including:

- lack of availability of materials and interruptions in delivery of components and raw materials from suppliers;
- manufacturing delays caused by such lack of availability or interruptions in delivery;
- fluctuations in the quality and the price of components and raw materials, in particular due to the petroleum price impact on such materials;
- fluctuations in the cost of procuring finished goods inventory; and
- risk related to foreign operations.

The Company does not have any long-term or exclusive purchase commitments with any of its suppliers. Midea was the Company s largest supplier and accounted for 64% of the Company s purchases of products during fiscal 2014. The Company s failure to maintain existing relationships with its suppliers or to establish new relationships on similar pricing and credit terms in the future could negatively affect the Company s ability to obtain products in a timely manner. If the Company is unable to obtain an ample supply of product from its existing suppliers or alternative sources of supply, it may be unable to satisfy its customers orders, which could materially and adversely affect the Company s revenues and relationships with its customers. Finding replacement suppliers could be a time consuming process during which the Company s revenues and liquidity could be negatively impacted (see Item 1A Risk Factors Business Related Risks Uncertain Impact of Appointment of Provisional Liquidators for Grande, Emerson s Controlling Shareholder).

If the Company s contract manufacturers are unable to deliver products in the required amounts and in a timely fashion, the Company could experience delays or reductions in shipments to its customers, which could materially and adversely affect the Company s revenues and relationships with its customers. Unanticipated disruptions in the Company s operations, slowdowns or shutdowns by its suppliers, manufacturers and shipping companies could adversely affect the Company s ability to deliver its products and services to its customers which could materially and adversely affect the Company s revenues and relationships with its customers.

The Company s ability to provide high quality customer service, process and fulfill orders, and manage inventory depends on the efficient and uninterrupted operation of its distribution centers and the timely and uninterrupted performance of third party manufacturers and suppliers, shipping companies and dock workers. Any material disruption, slowdown or shutdown of the Company s operation of its call center, distribution centers, or management information systems, or comparable disruptions, slowdowns or shutdowns suffered by the Company s principal manufacturers, suppliers and shippers could cause delays in the Company s ability to receive, process and fulfill customer orders and may cause orders to be canceled, lost or delivered late, goods to be returned or receipt of goods to be refused. As a result, the Company s revenues and operating results could be materially and adversely affected.

All of the Company s products are manufactured in accordance with its specifications by factories principally located in China. If the Company is unable to obtain products from these factories in the required quantities and quality and in a timely fashion, the Company could experience delays or reductions in product shipments to its customers, which could negatively affect the Company s ability to meet the requirements of its customers, as well as its relationships with its customers, which in turn could materially and adversely affect the Company s revenues and operating results.

All of the Company s suppliers are located in China. Inadequate development and maintenance of infrastructure in China, including inadequate power and water supplies, transportation and raw materials availability, and the deterioration in the general political, economic and social environments in China may make it difficult, more expensive and possibly prohibitive for these suppliers to continue to operate in China. If the Company cannot find suitable replacements for any manufacturers that have or may in the future close their facilities, the Company s revenues and operating results could be materially and adversely affected.

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The Company s business could be materially and adversely affected if it cannot protect its intellectual property rights or if it infringes on the intellectual property rights of others.

The Company s ability to compete effectively depends on its ability to maintain and protect its proprietary rights. The Company owns the Emerson® and other trademarks, which are materially important to its business, as well as other trademarks, patents, licenses and proprietary rights that are used for certain of the products that it markets and sells. The Company s trademarks are registered throughout the world, including the United States and other countries. The Company also has two patents in the United States on its SmartSet® technology, both of which expire in September 2018. The laws of some foreign countries in which the Company operates may not protect the Company s proprietary rights to the same extent as do laws in the United States. The protections afforded by the laws of such countries may not be adequate to protect the Company s intellectual property rights.

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any trademarks, patents or proprietary rights owned by or licensed to the Company. In addition, in the event third party licensees fail to protect the integrity of the Company s trademarks, the value of these marks could be materially and adversely affected. The Company s inability to protect its proprietary rights could materially and adversely affect the license of its trade names, trademarks and patents to third parties as well as its ability to sell its products. Litigation may be necessary to enforce the Company s intellectual property rights, protect the Company s trade secrets; and determine the scope and validity of such intellectual property rights. Any such litigation, whether or not successful, could result in substantial costs and diversion of resources and management s attention from the operation of the Company s business.

The Company may receive notices of claims of infringement of other parties proprietary rights. Such actions could result in litigation and the Company could incur significant costs and diversion of resources in defending such claims. The party making such claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief. Such relief could effectively block the Company s ability to make, use, sell, distribute or market its products and services in such jurisdiction. The Company may also be required to seek licenses to such intellectual property. The Company cannot predict, however, whether such licenses would be available or, if available, that such licenses could be obtained on terms that are commercially reasonable and acceptable to the Company. The failure to obtain the necessary licenses or other rights could delay or preclude the sale, manufacture or distribution of its products and could result in increased costs to the Company.

The Company s revenues and earnings could be materially and adversely affected if it cannot anticipate market trends or enhance existing products or achieve market acceptance of new products.

The Company s success is dependent on its ability to anticipate and respond to changing consumer demands and trends in a timely manner, as well as expanding into new markets and developing new products that are profitable to the Company. In addition, to increase the Company s penetration of current markets and gain footholds in new markets for its products, the Company must maintain its existing products and integrate them with new products. The Company may not be successful in developing, marketing and releasing new products that respond to technological developments or changing customer needs and preferences. The Company may also experience difficulties that could delay or prevent the successful development, introduction and sale of these new products. These new products may not adequately meet the requirements of the marketplace and may not achieve any significant degree of market acceptance. If release dates of any future products or enhancements to the Company s products are delayed, or if these products or enhancements fail to achieve market acceptance when released, the Company s sales volume may decline and earnings could be materially and adversely affected. In addition, new products or enhancements by the Company s competitors may cause customers to defer or forgo purchases of the Company s products, which could also materially and adversely affect the Company s revenues and earnings.

The Company does not maintain any credit facilities (other than certain letters of credit) and relies on its cash on hand and cash generated from operations to fund its business.

The Company does not maintain any credit facilities (other than certain letters of credit) in connection with the operation of its business. The Company has relied on, and continues to rely on, its cash on hand and cash generated by operations to manage its business.

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Foreign regulations and changes in the political, social and economic conditions in the foreign countries in which the Company operates its business could affect the Company s revenues and earnings materially and adversely.

The Company derives a significant portion of its revenue from sales of products manufactured by third parties located in China. In addition, third parties located in China and other countries located in the same region produce and supply many of the components and raw materials used in the Company s products. Conducting an international business inherently involves a number of difficulties and risks that could materially and adversely affect the Company s ability to generate revenues and could subject the Company to increased costs. Among the factors that may adversely affect the Company s revenues and increase its costs are:

- currency fluctuations which could cause an increase in the price of the components and raw materials used in the Company s products and a decrease in its profits;
- Chinese labor laws;
- labor shortages in manufacturing facilities located in China;
- the elimination or reduction of value-added tax refunds to Chinese factories that manufacture products for export;
- the rise of inflation and substantial economic growth in China;
- more stringent export restrictions in the countries in which the Company operates which could adversely affect its ability to deliver its products to its customers;
- tariffs and other trade barriers which could make it more expensive for the Company to obtain and deliver its products to its customers;
- political instability and economic downturns in these countries which could adversely affect the Company s ability to obtain its products from its manufacturers or deliver its products to its customers in a timely fashion;
- new restrictions on the sale of electronic products containing certain hazardous substances; and
- the laws of China are likely to govern many of the Company s supplier agreements.

Any of the factors described above may materially and adversely affect the Company s revenues and/or increase its operating expenses.

The Company is subject to intense competition in the industry in which it operates, which could cause material changes in the selling price of its products or losses of its market share.

The housewares and consumer electronics industry is highly competitive, especially with respect to pricing and the introduction of new products and features. The Company s products compete in the low to medium-priced sector of the housewares and consumer electronics market and compete primarily on the basis of reliability, brand recognition, quality, price, design, consumer acceptance of the Emerson® trademark and quality service and support to retailers and its customers. The Company and many of its competitors are subject to factory cost increases, and the Company expects these pressures to continue. If these pressures are not mitigated by increases in selling price or cost reductions from the Company s suppliers or changes in product mix, of if the consumers of the Company s products change their buying habits as a result of the Company s actions, the Company s revenues and profits could be substantially reduced. As compared to the Company, many of its competitors have significantly greater managerial, financial, marketing, technical and other competitive resources and greater brand recognition. As a result, the Company s competitors may be able to (i) adapt more quickly to new or emerging technologies and changes in customer requirements; (ii) devote greater resources to the promotion and sale of their products and services; and (iii) respond more effectively to pricing pressures.

In addition, competition could increase if new companies enter the market, existing competitors expand their product mix or the Company expands into new markets. An increase in competition could result in material price reductions or loss of the Company s market share.

Changes in consumer spending and economic conditions may cause its quarterly operating results to fluctuate and cause its stock price to decline.

The Company s net revenue and operating results may vary significantly from year to year, which may adversely affect its results of operations and the market price for its common stock. Factors that may cause these fluctuations include:

changes in market and economic conditions;

the discretionary nature of consumers demands and spending patterns;

variations in the sales of the Company s products to its significant customers;

variations in manufacturing and supplier relationships;

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if the Company is unable to correctly anticipate and provide for inventory requirements, it may not have sufficient inventory to deliver its products to its customers in a timely fashion or the Company may have excess inventory that it is unable to sell;

new product developments or introductions;

product reviews and other media coverage;

competition, including competitive price pressures; and

political instability, war, acts of terrorism or other disasters.

If the Company s third party sales representatives fail to adequately promote, market and sell the Company s products, the Company s revenues could significantly decrease.

A significant portion of the Company s product sales are made through third party sales representative organizations, whose members are not employees of the Company. The Company s level of sales depends on the effectiveness of these organizations, as well as the effectiveness of its own employees. Some of these third party representatives may sell (and do sell), with the Company s permission, competitive products of third parties as well as the Company s products. During the Company s fiscal years ended March 31, 2014 and March 31, 2013, these organizations were responsible for approximately 65% and 47%, respectively, of its net revenues during such periods. In addition, one of these representative organizations was responsible for a significant portion of these revenues. If any of the Company s third party sales representative organizations engaged by the Company, especially the Company s largest, fails to adequately promote, market and sell its products, the Company s revenues could be significantly decreased until a replacement organization or distributor could be retained by the Company. Finding replacement organizations and distributors could be a time consuming process during which the Company s revenues could be negatively impacted.

The Company could be exposed to product liability or other claims for which its product liability or other insurance may be inadequate.

A failure of any of the products marketed by the Company may subject it to the risk of product liability claims and litigation arising from injuries allegedly caused by the improper functioning or design of its products. Although the Company currently maintains product liability insurance in amounts which the Company considers adequate, the Company cannot assure that:

its insurance will provide adequate coverage against potential liabilities;

adequate product liability insurance will continue to be available in the future; or

its insurance can be maintained on acceptable terms.

Although the Company maintains liability insurance in amounts that it considers adequate, the Company cannot assure that such policies will provide adequate coverage against potential liabilities. To the extent product liability or other litigation losses are beyond the limits or scope of the Company s insurance coverage, the Company s expenses could materially increase.

If the Company s common stock is de-listed from the NYSE MKT, shareholders liquidity in their shares may be adversely affected and shareholders may have difficulty selling their shares or attaining a satisfactory price.

In order for the Company s common stock to be eligible to continue to be listed on the NYSE MKT, the Company must meet the current NYSE MKT continued listing requirements, including satisfying the Audit Committee composition requirements and the timely filing of periodic reports with the Securities and Exchange Commission. If the Company is unable to continue to meet these requirements, its common stock could be de-listed from the NYSE MKT. If the Company s common stock were to be de-listed from the NYSE MKT, its common stock could continue to trade on the National Association of Securities Dealers over-the-counter bulletin board or on the Pink Sheets, as the case may be. Any such de-listing of the Company s common stock could have an adverse effect on the market price of, and the efficiency of the trading market for its common stock, in terms of the number of shares that can be bought and sold at a given price and through delays in the timing of transactions and less coverage of the Company by securities analysts, if any. It also could have an adverse effect on the Company s ability to raise capital in the public or private equity markets if the Company were to determine that it needs to seek additional equity capital in the future.

Forward-Looking Information

This report contains forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to the Company s beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company s control, and which may cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through the use of words such as may, will, can, anticipate, assume, indicate, would, believe, contemplate, expect, seek, estimate, continue, plan, project, predict, potential, and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

the impact, if any, on the Company s business, financial condition and results of operation arising from the appointment of the Provisional Liquidators over Grande see Item 1A Risk Factors Business Related Risks Uncertain Impact of Appointment of Provisional Liquidators for Grande, Emerson s Controlling Shareholder ;

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the decline in, and any further deterioration of, consumer spending for retail products, such as the Company s products;

the Company s inability to resist price increases from its suppliers or pass through such increases to its customers;

the loss of any of the Company s key customers or reduction in the purchase of the Company s products by any such customers;

conflicts of interest that exist based on the Company s relationship with Grande;

the Company s inability to improve and maintain effective internal controls or the failure by its personnel to comply with such internal controls;

the Company s inability to maintain its relationships with its licensees and distributors or the failure to obtain new licensees or distribution relationships on favorable terms;

cash generated by operating activities represents the Company s principal source of funding and therefore the Company depends on its ability to successfully manage its operating cash flows to fund its operations;

the Company s inability to anticipate market trends, enhance existing products or achieve market acceptance of new products;

the Company s dependence on a limited number of suppliers for its components and raw materials;

the Company s dependence on third party manufacturers to manufacture and deliver its products;

changes in consumer spending and economic conditions;

the failure of third party sales representatives to adequately promote, market and sell the Company s products;

the Company s inability to protect its intellectual property;

the effects of competition;

changes in foreign laws and regulations and changes in the political and economic conditions in the foreign countries in which the Company operates;

changes in accounting policies, rules and practices;

limited access to financing or increased cost of financing; and

the effects of the continuing appreciation of the renminbi relative to the dollar and increases in costs of production in China; and

the other factors listed under Risk Factors in this Annual Report on Form 10-K and other filings with the SEC.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The reader is cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this annual report or the date of the document incorporated by reference into this annual report. The Company has no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. The Company has expressed its expectations, beliefs and projections in good faith and the Company believes they have a reasonable basis. However, the Company cannot assure the reader that its expectations, beliefs or projections will result or be achieved or accomplished.

Item 2. *PROPERTIES*

The following table sets forth the material properties leased by the Company:

Facility Purpose	Approximate Square Footage	Location	Lease Expires
Corporate headquarters	5,541	Hackensack, NJ	May 2015
Hong Kong office	6,162	Hong Kong, China	July 2016
Macao office	960	Macao, China	May 2017
Warehouse	180,650	Mira Loma, CA	December 2014

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Periodically, depending on need and circumstances, the Company may also utilize public warehouse space with terms typically of one year or less. Public warehouse expenses vary based upon the volume and value of products shipped from each leased location.

The Company believes that the properties used for its operations are in satisfactory condition and adequate for its present and anticipated future operations. The Company does not currently own any of the properties it occupies.

Item 3. *LEGAL PROCEEDINGS*

Kayne Litigation As previously reported, since July 2011, Emerson Radio Corp. (the Company) has been a defendant in a lawsuit known as *Fred Kayne, et al., vs. Christopher Ho, et al.* (the Kayne Litigation) which was filed in the United States District Court for the Central District of California alleging, among other things, that the Company, certain of its present and former directors and other entities or individuals now or previously associated with The Grande Holdings Limited (In Liquidation) (Grande), intentionally interfered with the ability of the plaintiffs to collect on a judgment they had against Grande. As of November 2013, such judgment, with interest, totaled approximately $60 million. Grande is the ultimate corporate parent of the Company s majority shareholder, S&T International Distribution Limited. The plaintiffs in the Kayne Litigation (the Plaintiffs) pursued their claims against the Company largely on the basis of their allegation that the Company was an alter ego of Grande because it was part of a single enterprise purportedly controlled by the Chairman of the Board of Grande, Christopher Ho.

After the commencement of the Kayne Litigation trial, which began on December 3, 2013, the Company entered into a settlement agreement (the Settlement Agreement) with the Plaintiffs, effective as of December 19, 2013, for reasons of economy and finality, the terms and facts of which may not be construed as an admission by any party as to the merits of any of the claims or defenses resolved therein, which fully resolves and settles all outstanding and potential claims against the Company in the Kayne Litigation without acknowledging or attributing fault or liability on the part of the Company.

In deciding that it was in the best interest of the Company and its stockholders to enter into the Settlement Agreement, the Company s Board considered the contingent risk that in the event that an adverse judgment of as much as $60 million was issued against the defendants by the Court in the Kayne Litigation: (i) that judgment would be enforceable on a joint and several basis, such that the entire judgment against all defendants could be enforced, in its entirety, against a single defendant; (ii) that as the only U.S. based defendant in the Kayne Litigation, the Company faced a considerable risk that any such judgment would be enforced against it alone; (iii) that in that event, the Company would face significant legal and practical obstacles in seeking to pursue claims for contribution against the other defendants; and (iv) that the Company would also face significant obstacles in pursuing the appeal of such a judgment because an appeal would require the Company to post collateral sufficient to secure an appeal bond with a face amount in excess of $60 million.

The Settlement Agreement provided for a cash payment of $4.0 million (the Settlement Amount) to be paid by the Company to the Plaintiffs, which represents less than 7% of the potential liability the Company faced from an adverse judgment. The Board believed it was prudent to settle for this relatively small amount due to the factors discussed above as well as the uncertainty of the trial outcome in view of the judge s previous denial of several motions by the Company to dismiss the alter ego claims and denial of the Company s motion for summary judgment. Pursuant to the Settlement Agreement, payment of the Settlement Amount was made by the Company via wire transfer to the Plaintiffs attorney s trust account on December 23, 2013, which payment shall remain in trust, and will not be released from trust to the Plaintiffs until such time as the Company makes an application to the Court to approve the Settlement Agreement as a good faith settlement under California law and such application is granted by the Court. On

January 13, 2014, the Company filed such application seeking the Court s approval of the Settlement Agreement as a good faith settlement and the Court issued its Order of Good Faith finding such on February 24, 2014. The Plaintiff s attorney has informed the Company that he consequently released the Settlement Amount to the Plaintiffs on May 6, 2014 and May 7, 2014.

The Company has retained counsel to investigate the ability of the Company to pursue claims against the co-defendants or others with respect to the Settlement Amount paid by the Company to the Plaintiffs.

The payment of the Settlement Amount by the Company resulted in the recognition of a $4.0 million non-operating expense in the quarter ended December 31, 2013. During the twelve months ending March 31, 2014 and March 31, 2013, the Company incurred legal fees associated with the Kayne Litigation of approximately $1.8 million and $1.2 million, respectively.

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Other Except for the litigation matter described above, the Company is not currently a party to any legal proceedings other than litigation matters, in most cases involving ordinary and routine claims incidental to our business. Management cannot estimate with certainty the Company s ultimate legal and financial liability with respect to such pending litigation matters. However, management believes, based on our examination of such matters, that the Company s ultimate liability will not have a material adverse effect on the Company s financial position, results of operations or cash flows.

Item 4. ***Mine Safety Disclosures***
Not applicable

PART II

Item 5. *MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES*

(a) Market Information

The Company s common stock began trading on the American Stock Exchange under the symbol MSN on December 22, 1994, and currently trades on the NYSE MKT under the same symbol, as a result of NYSE Euronext s acquisition of the American Stock Exchange in 2008. The following table sets forth the range of high and low sales prices for the Company s common stock as reported by the NYSE MKT during the last two fiscal years.

	Fiscal 2014		Fiscal 2013	
	High	Low	High	Low
First Quarter	$ 1.77	$ 1.50	$ 2.10	$ 1.90
Second Quarter	2.14	1.55	2.12	1.84
Third Quarter	2.10	1.80	2.17	1.55
Fourth Quarter	2.38	1.85	1.79	1.30

There is no established trading market for the Company s Series A convertible preferred stock, whose conversion feature expired as of March 31, 2002.

(b) Holders

At June 6, 2014, there were 237 stockholders of the Company s common stock whose shares were registered with the Company s transfer agent. The Company believes that the number of beneficial owners is substantially greater than the number of registered shareholders, because a large portion of the Company s common stock is held of record in broker street names .

(c) Dividends

Other than the one-time extraordinary dividend of $1.10 per common share paid by the Company on March 24, 2010, the Company has not paid cash dividends on its common stock.

Item 6. ***SELECTED CONSOLIDATED FINANCIAL DATA***

Not applicable.

Item 7. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

The following discussion of the Company s operations and financial condition should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Special Note: Certain statements set forth below constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. See Item 1A Risk Factors Forward-Looking Information.

In the following discussions, most percentages and dollar amounts have been rounded to aid presentation. As a result, all figures are approximations.

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Results of Operations:

The following table summarizes certain financial information for the fiscal years ended March 31 (in thousands):

	2014	2013
Net product sales	$ 70,257	$ 121,628
Licensing revenue	7,572	6,768
Net revenues	77,829	128,396
Cost of sales	63,012	108,631
Other operating costs and expenses	864	1,355
Selling, general and administrative	10,434	7,759
Impairment of trademark	219	1,326
Operating income	3,300	9,325
Loss on settlement of litigation	(4,000)	
Interest income, net	548	340
(Loss) income before income taxes	(152)	9,665
Provision for income tax (benefit) expense	(1,469)	3,666
Net income	$ 1,317	$ 5,999

Results of Operations Fiscal 2014 compared with Fiscal 2013

Net product sales Net product sales for fiscal 2014 were $70.3 million as compared to $121.6 million for fiscal 2013, a decrease of $51.3 million, or 42.2%. The Company s fiscal 2014 net product sales were lower than its fiscal 2013 net product sales primarily due to the inclusion in fiscal 2013 s net product sales of the sales of two microwave products for which there were no sales during fiscal 2014, ongoing pricing pressures, intense competitive activity and a challenging retail sales environment. The Company s sales during fiscal 2014 and fiscal 2013 were highly concentrated among the Company s two largest customers, Target and Wal-Mart, where gross product sales comprised approximately 89.4% and 94.2%, respectively, of the Company s total gross product sales. Net product sales may be periodically impacted by adjustments made to the Company s sales allowance and marketing support accrual to record unanticipated customer deductions from accounts receivable or to reduce the accrual by any amounts which were accrued in the past but not taken by customers through deductions from accounts receivable within a certain time period. In the aggregate, these adjustments had the effect of increasing net product sales and operating income by $0.3 million and $0.9 million for fiscal 2014 and fiscal 2013, respectively.

Net product sales are comprised primarily of the sales of houseware and audio products which bear the Emerson® brand name. The major elements which contributed to the overall decrease in net product sales were as follows:

i) Houseware product net sales decreased $50.7 million, or 43.1%, to $66.9 million in fiscal 2014 as compared to $117.6 million in fiscal 2013, principally driven by a decrease in sales of all products offered by the Company in the category, which is comprised of microwave ovens, compact refrigerators and wine coolers.

As previously reported by the Company, the Company was informed by Wal-Mart that, commencing in the Spring of 2013, Wal-Mart would discontinue purchasing from Emerson two microwave oven products that had been sold by the Company to Wal-Mart.

Emerson continued shipping these products to Wal-Mart throughout the remainder of Fiscal 2013 (the year ending March 31, 2013), with sales of such products declining through the fourth quarter of Fiscal 2013. During Fiscal 2013, these two microwave oven products comprised, in the aggregate, approximately $36.1 million, or 29.7%, of the Company s net product sales.

Emerson anticipates that the full impact of Wal-Mart s decision has been realized by the Company in Fiscal 2014, which began on April 1, 2013. As previously disclosed by the Company, the complete loss of, or significant reduction in, business with either of the Company s key customers will have a material adverse effect on the Company s business and results of operations. Accordingly, Wal-Mart s decision has had a material adverse effect on the Company s business and results of operations. The Company is considering various strategic initiatives, including a complete analysis of its current and prospective product lines and pricing strategies, although there can be no assurance that the Company will be able to increase sales of such products at levels sufficient to offset the adverse impact of Wal-Mart s decision, if at all.

As a result of the above, during the twelve months ending March 31, 2014, sales of these two products by the Company were nil as compared to approximately $36.1 million net sales of these two products by the Company during the twelve months ending March 31, 2013.

ii) Audio product net sales were $3.4 million in fiscal 2014 compared to $4.1 million in fiscal 2013, a decrease of $0.7 million, or 16.7%, resulting from decreased net sales of clock radios and portable audio products.

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Licensing revenue Licensing revenue in fiscal 2014 was $7.6 million as compared to $6.8 million for fiscal 2013, an increase of $0.8 million, or 11.9%. The increase in year-over-year licensing revenue for fiscal 2014 was primarily due to approximately $1.6 million of higher year-over-year licensing revenue earned from one of its licensees upon the completion of an audit of and negotiation with this licensee to pay to the company $1.8 million in previously unreported and unpaid royalty fees, partly offset by $0.9 million of lower year-over-year licensing revenue earned from the Company s largest licensee, Funai Corporation, Inc. (Funai), on lower year-over-year sales by Funai of products bearing the Emerson® brand name.

The Company s largest license agreement is with Funai, which accounted for approximately 86% and 87%, respectively, of the Company s total fiscal 2014 and fiscal 2013 licensing revenue, and which was amended during November 2013 to extend the term of the agreement until March 31, 2018. The agreement provides that Funai will manufacture, market, sell and distribute specified products bearing the Emerson® trademark to customers in the U.S. and Canadian markets. Under the terms of the agreement, the Company receives non-refundable minimum annual royalty payments of $3.75 million each calendar year and a license fee on sales of product subject to the agreement in excess of the minimum annual royalties. During fiscal 2014 and 2013, licensing revenues of $5.0 million and $5.9 million, respectively, were earned under this agreement.

Net revenues As a result of the foregoing factors, the Company s net revenues were $77.8 million for fiscal 2014 as compared to $128.4 million for fiscal 2013, a decrease of $50.6 million, or 39.4%.

Cost of sales Cost of sales includes those components as described in Note 1 *Cost of Sales* of the Notes to the Consolidated Financial Statements. In absolute terms, cost of sales decreased $45.6 million, or 42.0%, to $63.0 million in fiscal 2014 as compared to $108.6 million in fiscal 2013. Cost of sales as a percentage of net product sales was 89.7% in fiscal 2014 as compared to 89.3% in fiscal 2013. The decrease in absolute terms for fiscal 2014 as compared to fiscal 2013 was primarily related to the reduced net product sales partly offset by lower year-over-year cost of sales as a percentage of sales.

Other operating costs and expenses Other operating costs and expenses include those components as described in Note 1 *Other Operating Costs and Expenses* of the Notes to the Consolidated Financial Statements. Other operating costs and expenses as a percentage of net product sales was 1.2% in fiscal 2014 and 1.1% in fiscal 2013. In absolute terms, other operating costs and expenses was $0.9 million in fiscal 2014 as compared to $1.4 million in fiscal 2013.

Selling, general and administrative expenses (S,G&A) S,G&A, as a percentage of net revenues, was 13.4% in fiscal 2014 as compared to 6.0% in fiscal 2013. Fiscal 2014 S,G&A, in absolute terms, was $10.4 million and fiscal 2013 S, G&A, in absolute terms, was $7.8 million, an increase of $2.6 million, or 34.5%.

Fiscal 2014 S,G&A included approximately $1.8 million in legal fees related to the Kayne litigation, as more fully described in Note 13 Legal Proceedings, approximately $1.2 million in legal and advisory fees pertaining to the setup of and work performed for the Special Committee of the Company s Board of Directors, approximately $0.3 million in tax advisory fees related to the audit of the Company s tax returns by the IRS, as mentioned elsewhere within this Annual Report on Form 10-K, and approximately $0.2 million in management consulting fees to evaluate the Company s current operations.

Fiscal 2013 S,G&A included approximately $1.2 million in legal fees related to the Kayne litigation, as more fully described in Note 13 Legal Proceedings and approximately $0.1 million in tax advisory fees related to the audit of the Company s tax returns by the IRS, as mentioned elsewhere within this Annual Report on Form 10-K.

Excluding the aforementioned items, fiscal 2014 S, G&A was $6.9 million and fiscal 2013 S,G&A was $6.5 million, an increase of $0.4 million, or 7.3%, primarily due to a $1.6 million lower year-over-year allocation to Cost of Sales, partially offset by an $0.8 million year-over-year reduction in personnel costs and a $0.3 million year-over-year reduction in rental and facility costs.

Impairment of Trademark During fiscal 2014, upon completion of an analysis which showed the absence of future expected cash flows, the Company determined that the value of one of its non-strategic trademarks was fully impaired. Thus, the Company recorded an impairment charge of $0.2 million in December 2013 to write off this trademark.

During fiscal 2013, upon completion of an analysis which showed the absence of future expected cash flows, the Company determined that the value of one of its non-strategic trademarks was fully impaired. Thus, the Company recorded an impairment charge of $1.3 million in September 2012 to write off this trademark.

The Company does not anticipate any future material adverse financial impacts arising from these impairments.

Loss on settlement of litigation To settle the Kayne Litigation, as more fully described in Note 13 Legal Proceedings, the Company paid $4.0 million to the Kayne plaintiff s trust account in December 2013, such funds being disbursed to the plaintiffs in May 2014 , which significantly and negatively impacted fiscal 2014 results.

Interest income, net Interest income, net, was $548,000 in fiscal 2014 as compared to $340,000 in fiscal 2013, resulting from an additional 8 months of interest earned by the Company on certain of its investments in Certificates of Deposit during fiscal 2014.

Provision for income tax (benefit) expense In fiscal 2014, the Company recorded an income tax benefit of $1.5 million as compared to income tax expense of $3.7 million in fiscal 2013. See Item 8 Financial Statements and Supplementary Data and Note 6 Income Taxes .

Net income As a result of the foregoing factors, the Company recorded net income of $1.3 million for fiscal 2014 as compared to $6.0 million for fiscal 2013, a decrease of $4.7 million, or 78.0%.

Liquidity and Capital Resources

General

As of March 31, 2014, the Company had cash and cash equivalents of approximately $26.3 million as compared to approximately $21.4 million at March 31, 2013. Working capital increased to $73.3 million at March 31, 2014 as compared to $72.5 million at March 31, 2013. The increase in cash and cash equivalents of approximately $4.9 million was due to the below factors.

Net cash used by operating activities was approximately $8.1 million for fiscal 2014, primarily resulting from the reduction of accounts payable and other current liabilities of $3.3 million, an increase in other receivables of $2.9 million, an increase in inventories of $2.0 million, a decrease in asset allowances of $1.7 million, a decrease of $1.3 million in income taxes payable, an increase in prepaid purchases of $1.2 million and an increase in deferred tax assets of $0.5 million, partially offset by a reduction in accounts receivable of $3.7 million and the net income generated of $1.3 million.

Net cash provided by investing activities was $13.1 million for fiscal 2014 primarily due to $13.0 million of maturities of short term investments during fiscal 2014.

Net cash used by financing activities was $73,000 for fiscal 2014 resulting from payments made on, as well as transfer of remaining balances to a third party by the Company of its capital lease obligations.

Other Events and Circumstances Pertaining to Liquidity

Potential Income Tax Issues Concerning the Extraordinary Dividend Paid by the Company in March 2010

On March 2, 2010, the Board declared an extraordinary dividend of $1.10 per common share which was paid on March 24, 2010. In connection with the Company s determination as to the taxability of the dividend, the Board relied upon information and research provided to it by the Company s tax advisors and, in reliance on the stock-for-debt exception in the Internal Revenue Code Sections 108(e)(8) and (e)(10), concluded that 4.9% of such dividend paid was taxable to the recipients.

In August 2012, the Company received a Form 886-A from the IRS which challenges the Company s conclusions and determines that the Company does not qualify for the above-referenced exception. Accordingly, the IRS has concluded that 100% of the dividend paid was taxable to the recipients. The Company is defending its position and calculations and is contesting the position asserted by the IRS. The Company prepared and, on October 25, 2012, delivered its rebuttal to the IRS contesting the IRS determination. There can be no assurance that the Company will be successful in defending its position.

In the event that the Company is not successful in establishing with the IRS that the Company s calculations were correct, then the shareholders who received the dividend likely will be subject to and liable for an assessment of additional taxes due. Moreover, the Company may be contingently liable for taxes due by certain of its shareholders resulting from the dividend paid by the Company.

Initially, the Company withheld from the dividend paid to foreign shareholders an amount equal to the tax liability associated with such dividend. On April 7, 2010, upon a request made to the Company by its foreign controlling shareholder, S&T, the Company entered into an agreement with S&T (the Agreement), whereby the Company returned to S&T on April 7, 2010 that portion of the funds withheld for taxes from the dividend paid on March 24, 2010 to S&T, which the Company believes is not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits. The Agreement includes provisions pursuant to which S&T agreed to indemnify the Company for any liability imposed on it as a result of the Company s agreement not to withhold such funds for S&T s possible tax liability and a pledge of stock as collateral. The Company continues to assert that such dividend is largely not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits. In addition, the Company also continues to assert that this transaction results in an off-balance sheet arrangement and a possible contingent tax liability of the Company, which, if recognized, would be offset by the calling by the Company on S&T of the indemnification provisions of the Agreement.

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In February 2011, upon the request of S&T to the Company, the Company and S&T agreed that the collateral pledged as a part of the Agreement would no longer be required and such collateral was returned by the Company to S&T in March 2011 and the Agreement was amended and restated to remove the collateral requirement but retain the indemnification provisions. The Agreement, as amended (the Amended Agreement), remains in effect as of today. In the event that (i) the Company is not successful in establishing with the IRS that the Company s calculations were correct and (ii) S&T is unable or unwilling to pay the additional taxes due or indemnify the Company under the terms of the Amended Agreement, the Company may be liable to pay such additional taxes, which, together with penalties and interest, are currently estimated by the Company to be approximately $4.7 million as of March 31, 2014. Any such liability, should it be required to be recognized by the Company, would likely have a material adverse effect on the Company s results of operations in the period recognized. S&T is a subsidiary of Grande, which is currently in liquidation (as described above under *Controlling Shareholder*). Therefore, the ability of the Company to enforce its rights to indemnification under the Amended Agreement and to collect from S&T any additional taxes, interest and penalties due may be severely impaired.

Income Tax Issues Concerning Overseas Income

On April 15, 2013 and June 5, 2013, the Company received correspondence from the IRS including a (i) Form 5701 and Form 886-A regarding Adjusted Sales Income (collectively referred to as NOPA 1) and (ii) Form 5701 and Form 886-A regarding Adjusted Subpart F-Foreign Base Company Sales Income (collectively referred to as NOPA 2).

With respect to NOPA 1, the IRS is (i) challenging the position of the Company with respect to the way the Company s controlled foreign corporation in Macao (the Macao CFC) recorded its product sales during Fiscal 2010 and Fiscal 2011 and (ii) asserting that an upward adjustment to the Company s Fiscal 2010 and Fiscal 2011 taxable income of $4,981,520 and $5,680,182, respectively, is required.

With respect to NOPA 2, the IRS is challenging the position of the Company with respect to the fact that the Company considered the service fee paid by the Company to the Macao CFC to be non-taxable in the US. The IRS has taken the position that the service fee paid to the Macao CFC by the Company constitutes foreign base company sales income (FBCSI). The IRS asserts that the service fee earned by the Macao CFC in connection with its sale of products to the Company should be taxable to the Company as FBCSI. As a result, the IRS determined that an upward adjustment to the Company s Fiscal 2010 and Fiscal 2011 taxable income of $1,553,984 and $1,143,162, respectively, is required.

The Company has evaluated the determinations made by the IRS as set forth in each of NOPA 1 and NOPA 2 in order to decide (a) how it will proceed and (b) the potential impact on the Company s financial condition and operations. Furthermore, although NOPA 1 and NOPA 2 represent potential adjustments to Fiscal 2010 and Fiscal 2011 only, the Company believes it is likely that the IRS will take the position that the same type of adjustments should be made for each of the Company s subsequent fiscal years. The assessment and payment of such additional taxes, penalties and interest would have a material adverse effect on the Company s financial condition and results of operations.

With respect to NOPA 1, the Company is disputing the proposed adjustment with the IRS. In the event that the Company is not successful in its dispute, the Company estimates that it could be liable for a maximum in taxes, penalties and interest of approximately $14.9 million pertaining to NOPA 1, in the aggregate, for its Fiscal 2010, Fiscal 2011, Fiscal 2012, Fiscal 2013 and Fiscal 2014 periods. However, because the Company s current assessment is that its appeal of NOPA 1 is more likely than not to be successful, the Company has not recorded any liability to its March 31, 2014 or March 31, 2013 balance sheets related to NOPA 1.

With respect to NOPA 2, the Company agrees in principle with the IRS position that the service fee paid to the Macao CFC by the Company would be treated as FBCSI and taxable to the Company but the Company does not agree with the adjustment to the Company s taxable income as calculated by the IRS. However, the Company has estimated as approximately $1.1 million the amount of taxes, penalties and interest for which it would be liable for its Fiscal 2010, Fiscal 2011, Fiscal 2012 and Fiscal 2013 periods using the adjustments to taxable income as proposed by the IRS, and such amount was recorded by the Company as tax expense during Fiscal 2013. In addition, the Company began at this time to prospectively recognize the service fee, net of related expenses, paid to the Macao CFC as FBCSI taxable income to the Company. During Fiscal 2014, the Company remitted approximately $0.9 million of this estimated liability to the IRS, and plans to remit the balance of $0.2 million upon final agreement of this amount due with the IRS.

Credit Arrangements

Letters of Credit The Company utilizes Hang Seng Bank to issue letters of credit on behalf of the Company, as needed, on a 100% cash collateralized basis, although at March 31, 2014 the Company had no outstanding letters of credit. In the event that the Company does have outstanding letters of credit with Hang Seng Bank, a like amount of cash is posted by the Company as collateral against such outstanding letters of credit, and is classified by the Company as Restricted Cash on the balance sheet.

Short-term Liquidity

In fiscal 2014, products representing approximately 65% of net sales were imported directly to the Company s customers. The direct importation of product by the Company to its customers significantly benefits the Company s liquidity because this inventory does not need to be financed by the Company.

The Company s principal existing sources of cash are generated from operations. The Company believes that its cash on hand and existing sources of cash will be sufficient to support its existing operations over the next 12 months.

As of March 31, 2014, there were no capital expenditure or other commitments other than the normal purchase orders used to secure product.

Off-Balance Sheet Arrangements

On April 7, 2010, upon a request made to the Company by its foreign controlling stockholder, S&T, the Company entered into an agreement with S&T whereby the Company returned to S&T on April 7, 2010 that portion of the taxes that the Company had withheld from the dividend paid on March 24, 2010 to S&T, as the Company believes the dividend paid is not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits, and received collateral (in the form of shares in the Company) which was sufficient to cover any claims for taxes on the dividend paid (the Agreement). The Company believes this transaction resulted in an off-balance sheet arrangement, which is comprised of a possible contingent tax liability of the Company, which, if recognized, would be offset by the calling by the Company on S&T of the indemnification provisions of the Agreement. In February 2011, upon the request of S&T to the Company, the Company and S&T agreed the collateral pledged as a part of the Agreement would no longer be required and this collateral was returned by the Company to S&T in March 2011 (see Note 3 Related Party Transactions *Dividend-Related Issues with S&T*).

Critical Accounting Policies

The discussion and analysis of the Company s financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles that are generally accepted within the United States. The preparation of the Company s financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management considers certain accounting policies related to inventories, trade accounts receivables, impairment of long-lived assets, valuation of deferred tax assets, sales return reserves and sales allowance accruals to be critical policies due to the estimation processes involved in each.

Revenue Recognition. Revenues from product distribution are recognized at the time title passes to the customer. Under the Direct Import Program, title passes in the country of origin. Under the Domestic Program, title passes primarily at the time of shipment. Estimates for possible returns are based upon historical return rates and netted against revenues. Except in connection with infrequent sales with specific arrangements to the contrary, returns are not permitted unless the goods are defective.

In addition to the distribution of products, the Company grants licenses for the right to use the Company s trademarks for a stated term for the manufacture and/or sale of consumer electronics and other products under agreements which require payment of either i) a non-refundable minimum guaranteed royalty or, ii) the greater of the actual royalties due (based on a contractual calculation, normally comprised of actual product sales by the licensee multiplied by a stated royalty rate, or Sales Royalties) or a minimum guaranteed royalty amount. In the case of (i), such amounts are recognized as revenue on a straight-line basis over the term of the license agreement. In the case of (ii), Sales

Royalties in excess of guaranteed minimums are accounted for as variable fees and are not recognized as revenue until the Company has ascertained that the licensee s sales of products have exceeded the guaranteed minimum. In effect, the Company recognizes the greater of Sales Royalties earned to date or the straight-line amount of minimum guaranteed royalties to date. In the case where a royalty is paid to the Company in advance, the royalty payment is initially recorded as a liability and recognized as revenue as the royalties are deemed to be earned according to the principles outlined above.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out basis. The Company records inventory reserves to reduce the carrying value of inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required. Conversely, if market conditions improve, such reserves are reduced.

Trade Accounts Receivable. The Company extends credit based upon evaluations of a customer s financial condition and provides for any anticipated credit losses in the Company s financial statements based upon management s estimates and ongoing reviews of recorded allowances. If the financial condition of a customer deteriorates, resulting in an impairment of that customer s ability to make payments, additional reserves may be required. Conversely, reserves are reduced to reflect credit and collection improvements.

Income Taxes. The Company records a valuation allowance to reduce the amount of its deferred tax assets to the amount that management estimates is more likely than not to be realized. While management considers future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance, in the event that management determines that a deferred tax asset will likely be realized in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, if it is determined that all or part of a net deferred tax asset will likely not be realized in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Sales Return Reserves. Management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand for our products when evaluating the adequacy of the reserve for sales returns. Management judgments and estimates must be made and used in connection with establishing the sales return reserves in any accounting period. Additional reserves may be required if actual sales returns increase above the historical return rates. Conversely, the sales return reserve could be decreased if the actual return rates are less than the historical return rates, which were used to establish the reserve.

Sales Allowance and Marketing Support Accruals. Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, Revenue Recognition , subtopic 50 Customer Payments and Incentives and Securities and Exchange Commission Staff Accounting Bulletins 101 Revenue Recognition in Financial Statements, and 104 Revenue Recognition, corrected copy (SAB s 101 and 104).

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, Revenue Recognition. , subtopic 15 Products , (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB s 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104 s and 101 s four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company s products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

Recently-Issued Financial Accounting Pronouncements

The following Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board during the twelve months ended March 31, 2014 or during the interim period between March 31, 2014 and June 25, 2014 which relate to or could relate to the Company as concerns the Company s normal ongoing operations or the industry in which the Company operates:

Accounting Standards Update 2013-10, Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (Issued July 2013)

The amendments in this Update permit the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013. This ASU is not expected to have a significant impact on the Company s financial statements.

Accounting Standards Update 2013-11, Income Taxes Topic 740. Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists.

This Update applies to all entities that have unrecognized tax benefits when a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward exists at the reporting date. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward, except as follows. To the extent a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. This ASU is not expected to have a significant impact on the Company s financial statements.

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Accounting Standards Update 2013-12, Definition of a Public Business Entity An Addition to the Master Glossary

The FASB has decided that it should proactively determine which entities would be within the scope of the Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies (Guide). This will aim to minimize the inconsistency and complexity of having multiple definitions of, or a diversity in practice as to what constitutes, a nonpublic entity and public entity within U.S. generally accepted accounting principles (GAAP) on a going-forward basis. Specifically, stakeholders asked that the Board clarify which nonpublic entities potentially qualify for alternative financial accounting and reporting guidance. This Update addresses those issues by defining public business entity. There is no actual effective date for the amendment in this Update. However, the term public business entity will be used in Accounting Standards Updates No. 2014-01, Intangibles Goodwill and Other (Topic 350): Accounting for Goodwill, and No. 2014-02, Derivatives and Hedging (Topic 815):Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps Simplified Hedge Accounting Approach, which are the first Updates that will use the term public business entity. This ASU is not expected to have a significant impact on the Company s financial statements.

Accounting Standards Update 2014-08, Presentation of Financial Statements Topic 205 and Property, Plant and Equipment Topic 360. Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

The amendments in this Update change the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results when any of the following occurs: 1. The component of an entity or group of components of an entity meets the criteria in paragraph 205-20-45-1E to be classified as held for sale. 2. The component of an entity or group of components of an entity is disposed of by sale. 2 3. The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). A public business entity and a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market should apply the amendments in this Update prospectively to both of the following: 1. All disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years 2. All businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. This ASU is not expected to have a significant impact on the Company s financial statements.

Accounting Standards Update 2014-09, Revenue from Contracts with Customers Topic 606.

The FASB is amending the FASB Accounting Standards Codification and creating a new Topic 606, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1: Identify the contract(s) with a customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation. This ASU is not expected to have a significant impact on the Company s financial statements.

Item 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***
Not applicable.

Item 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***
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Consolidated Statements of Comprehensive Income (Loss) for the years ended March 31, 2014 and 2013	30
Consolidated Balance Sheets as of March 31, 2014 and 2013	31

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

of Emerson Radio Corp and Subsidiaries

We have audited the accompanying consolidated balance sheets of Emerson Radio Corp. and Subsidiaries (the Company), as of March 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in shareholders equity, and cash flows for each of the two years in the period ended March 31, 2014. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Emerson Radio Corp. and Subsidiaries as of March 31, 2014 and 2013, and the results of their operations, and their cash flows for each of the two years in the period ended March 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ **MSPC**
Certified Public Accountants

and Advisors, A Professional Corporation

Cranford, New Jersey

June 25, 2014

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EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For The Years Ended March 31, 2014 and 2013

	2014	2013
	(In thousands, except per share data)	
Net revenues:		
Net product sales	$ 70,257	$ 121,628
Licensing revenue	7,572	6,768
Net revenues	77,829	128,396
Costs and expenses:		
Cost of sales	63,012	108,631
Other operating costs and expenses	864	1,355
Selling, general and administrative expenses	10,434	7,759
Impairment of trademark	219	1,326
	74,529	119,071
Operating income	3,300	9,325
Other (loss) income:		
Loss on settlement of litigation	(4,000)	
Interest income, net	548	340
	(3,452)	340
(Loss) income before income taxes	(152)	9,665
Provision for income tax (benefit) expense	(1,469)	3,666
Net income	1,317	5,999
Basic net income per share	$ .05	$ .22
Diluted net income per share	$ .05	$ .22
Weighted average shares outstanding		
Basic	27,130	27,130
Diluted	27,130	27,130

The accompanying notes are an integral part of the consolidated financial statements.

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EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For The Years Ended March 31, 2014 and 2013

	2014	2013
Net income	$ 1,317	$ 5,999
Other comprehensive income, net of tax:		
Foreign currency translation adj.		82
Comprehensive income	$ 1,317	$ 6,081

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EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2014 and 2013

	2014	2013
	(In thousands, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 26,328	$ 21,412
Restricted cash		70
Short term investments	32,194	45,235
Trade accounts receivable, net	4,354	6,375
Royalties and other receivables	3,865	969
Due from affiliates		1
Inventory, net	5,438	3,454
Prepaid purchases	2,047	885
Prepaid expenses and other current assets	1,604	988
Deferred tax assets	1,394	1,685
Total Current Assets	77,224	81,074
Property, plant, and equipment, net	142	258
Trademarks, net		219
Deferred tax assets	1,753	1,121
Other assets	130	104
Total Non-current Assets	2,025	1,702
Total Assets	$ 79,249	$ 82,776
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Short-term capital lease obligations	$	$ 43
Accounts payable and other current liabilities	3,951	7,247
Income taxes payable		1,281
Total Current Liabilities	3,951	8,571
Long-term capital lease obligations		30
Deferred tax liabilities		194
Total Non-current Liabilities		224
Total Liabilities	$ 3,951	$ 8,795
Shareholders Equity:		
	3,310	3,310

Series A Preferred shares 10,000,000 shares authorized; 3,677 shares issued and outstanding; liquidation preference of $3,677,000				
Common shares $0.01 par value, 75,000,000 shares authorized; 52,965,797 shares issued at March 31, 2014 and March 31, 2013, respectively; 27,129,832 shares outstanding at March 31, 2014 and March 31, 2013, respectively		529		529
Additional paid-in capital		98,785		98,785
Accumulated deficit		(3,102)		(4,419)
Treasury stock, at cost (25,835,965 shares)		(24,224)		(24,224)
Total Shareholders Equity		75,298		73,981
Total Liabilities and Shareholders Equity	$	79,249	$	82,776

The accompanying notes are an integral part of the consolidated financial statements.

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EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For The Years Ended March 31, 2014 and 2013

	Preferred Stock	Number of Common Shares Issued	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Treasury Stock	Total Shareholders Equity
Balance March 31, 2012	$ 3,310	52,965,797	$ 529	$ 98,785	$ (10,418)	$ (82)	$ (24,224)	$ 67,900
Net income					$ 5,999			$ 5,999
Accumulated comprehensive income:								
Foreign currency translation adjustment						$ 82		$ 82
Balance March 31, 2013	$ 3,310	52,965,797	$ 529	$ 98,785	$ (4,419)	$	$ (24,224)	$ 73,981
Net income					$ 1,317			$ 1,317
Balance March 31, 2014	$ 3,310	52,965,797	$ 529	$ 98,785	$ (3,102)	$	$ (24,224)	$ 75,298

The accompanying notes are an integral part of the consolidated financial statements.

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EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended March 31, 2014 and 2013

	2014	2013
	(In thousands)	
Cash Flows from Operating Activities:		
Net income	$ 1,317	$ 5,999
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	88	106
Impairment of trademark	219	1,326
Changes in assets and liabilities:		
Accounts receivable	3,726	5,582
Other receivables	(2,896)	224
Due from affiliates	1	
Inventories	(1,984)	7,689
Prepaid purchases	(1,162)	876
Prepaid expenses and other current assets	(616)	124
Deferred tax assets and liabilities	(535)	1,183
Other assets	(26)	158
Accounts payable and other current liabilities	(3,296)	(1,362)
Asset allowances, reserves and other	(1,705)	(1,441)
Capitalized leases	56	
Due to affiliates		(11)
Income taxes payable	(1,281)	1,174
Foreign currency translation adjustment		82
Net cash (used) provided by operating activities	(8,094)	21,709
Cash Flows From Investing Activities:		
Short term investment	13,041	(45,235)
Restricted cash	70	145
Additions to property and equipment	(28)	(111)
Disposals of property and equipment		7
Net cash provided (used) by investing activities	13,083	(45,194)
Cash Flows from Financing Activities:		
Net decrease in short-term capital lease obligations	(43)	(21)
Net decrease in long-term capital lease obligations	(30)	(42)
Net cash (used) by financing activities	(73)	(63)
Net increase (decrease) in cash and cash equivalents	4,916	(23,548)

Cash and cash equivalents at beginning of year	21,412	44,960
Cash and cash equivalents at end of year	$ 26,328	$ 21,412
Supplemental disclosures of non-cash investing and financing activities:		
Cash paid for:		
Interest	$ 7	$ 15
Income taxes	$ 1,185	$ 1,118

The accompanying notes are an integral part of the consolidated financial statements

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EMERSON RADIO CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES:

Background and Basis of Presentation

The consolidated financial statements include the accounts of Emerson Radio Corp. (Emerson , consolidated the Company), and its subsidiaries. The Company designs, sources, imports and markets a variety of houseware and consumer electronic products, and licenses the Emerson trademark for a variety of products domestically and internationally.

It is the Company s policy to prepare its financial statements in conformity with accounting principles generally accepted in the United States (US GAAP). The consolidated financial statements include the accounts of the Company and its wholly-owned or controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Certain items in prior year financials were reclassified to conform to current year presentation.

Use of Estimates

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

Cash Equivalents

Highly liquid investments with original maturities of three months or less at the time of purchase are considered to be cash equivalents.

Fair Values of Financial Instruments

The carrying amounts for cash and cash equivalents, cash securing bank loans, trade accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these financial instruments. The carrying amounts of bank debt approximate their fair values due to their variable rate interest features.

Investments

The Company determines the appropriate classifications of securities at the time of purchase and evaluates the continuing appropriateness of that classification thereafter. Realized gains and losses are determined on a specific identification basis and are reported separately as a component of income. Decreases and increases in the fair value of securities deemed to be other than temporary are included in earnings.

Long-Lived Assets

The Company s long-lived assets include property and equipment. At March 31, 2014, the Company had approximately $142,000 of property and equipment, net of accumulated depreciation. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC Topics 350 Intangibles and 360 Property, Plant and Equipment . The recoverability of assets held and used is measured by a comparison of the carrying amount of the asset to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Future events could cause the Company to conclude that impairment indicators exist and that long-lived assets may be impaired. Any resulting impairment loss could have a material adverse impact on the Company s financial condition and results of operations. During fiscal 2014, upon completion of an analysis which showed the absence of future expected cash flows, the Company determined that the value of one of its non-strategic trademarks was fully impaired. Thus, the Company recorded an impairment charge of $0.2 million in December 2013 to write off this trademark.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets being depreciated. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized and depreciated over the remaining estimated useful lives of the related assets. At time of disposal, the cost and related accumulated depreciation are removed from the Company s records and the difference between net carrying value of the asset and the sale proceeds is recorded as a gain or loss.

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Depreciation of property, plant and equipment is provided by the straight-line method as follows:

Machinery, Equipment and Software	Three years to seven years
Furniture & Fixtures	Seven years
Leasehold Improvements	Straight-line basis over the shorter of the useful life of the improvement or the term of the lease

Revenue Recognition

Distribution of products

Revenues from product distribution are recognized at the time title passes to the customer. Under the Direct Import Program, title passes in the country of origin. Under the Domestic Program, title passes primarily at the time of shipment. Estimates for future expected returns are based upon historical return rates and netted against revenues.

Management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand for the Company s products when evaluating the adequacy of the reserve for sales returns. Management judgments and estimates must be made and used in connection with establishing the sales return reserves in any accounting period. Additional reserves may be required if actual sales returns increase above the historical return rates. Conversely, the sales return reserve could be decreased if the actual return rates are less than the historical return rates, which were used to establish the reserve.

Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, Revenue Recognition. , subtopic 50 Customer Payments and Incentives and Securities and Exchange Commission Staff Accounting Bulletins 101 Revenue Recognition in Financial Statements, and 104 Revenue Recognition, corrected copy (SAB s 101 and 104).

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, Revenue Recognition , subtopic 15 Products , (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB s 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104 s and 101 s four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company s products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

Licensing

In addition to the distribution of products, the Company grants licenses for the right to use the Company s trademarks for a stated term for the manufacture and/or sale of consumer electronics and other products under agreements which require payment of either i) a non-refundable minimum guaranteed royalty or, ii) the greater of the actual royalties due (based on a contractual calculation, normally comprised of actual product sales by the licensee multiplied by a stated royalty rate, or Sales Royalties) or a minimum guaranteed royalty amount. In the case of (i), such amounts are recognized as revenue on a straight-line basis over the term of the license agreement. In the case of (ii), Sales Royalties in excess of guaranteed minimums are accounted for as variable fees and are not recognized as revenue until the Company has ascertained that the licensee s sales of products have exceeded the guaranteed minimum. In effect, the Company recognizes the greater of Sales Royalties earned to date or the straight-line amount of minimum guaranteed royalties to date. In the case where a royalty is paid to the Company in advance, the royalty payment is initially recorded as a liability and recognized as revenue as the royalties are deemed to be earned according to the principles outlined above.

Cost of Sales

Cost of sales includes actual product cost, quality control costs, change in inventory reserves, duty, buying costs, the cost of transportation to the Company s warehouses from its manufacturers, warehousing costs, and an allocation of those selling, general and administrative expenses that are directly related to these activities.

Other Operating Costs and Expenses

Other operating costs and expenses include costs associated with returned product received from retailers, warranty costs, warehouse supply expenses, and an allocation of those selling, general and administrative expenses that are directly related to these activities. Because other operating costs and expenses is not included in cost of sales, the reported gross margin may not be comparable to those of other distributors that may include all costs related to the cost of product to their cost of sales and in the calculation of gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating costs of the Company that are not directly related to the cost of procuring product or costs not included in other operating costs and expenses.

Foreign Currency

The assets and liabilities of foreign subsidiaries have been translated at current exchange rates, and related revenues and expenses have been translated at average rates of exchange in effect during the year. Related translation adjustments are reported as a separate component of shareholders equity. Losses and gains resulting from foreign currency transactions are included in the results of operations.

The Company generally does not enter into foreign currency exchange contracts to hedge its exposures related to foreign currency fluctuations and there were no foreign exchange forward contracts held by the Company at March 31, 2014 or March 31, 2013.

Advertising Expenses

Advertising expenses are charged against earnings as incurred and are included in selling, general and administrative expenses. The Company incurred no advertising expenses during fiscal 2014 or fiscal 2013.

Sales Allowance and Marketing Support Expenses

Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, Revenue Recognition. , subtopic 50 Customer Payments and Incentives and Securities and Exchange Commission Staff Accounting Bulletins 101 Revenue Recognition in Financial Statements, and 104 Revenue Recognition, corrected copy (SAB s 101 and 104).

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, Revenue Recognition , subtopic 15 Products , (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB s 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104 s and 101 s four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

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The sales and marketing support accrual activity for fiscal 2014 and fiscal 2013 was as follows (in thousands):

Balance at March 31, 2012	**$ 1,961**
additions	2,060
usages	(1,991)
adjustments	(878)
Balance at March 31, 2013	**$ 1,152**
additions	1,529
usages	(1,883)
adjustments	(328)
Balance at March 31, 2014	**$ 470**

Interest income, net

The Company records interest as incurred. The net interest income for fiscal 2014 and 2013 consists of:

	2014	**2013**
	(In thousands)	
Interest expense	$ (6)	$ (15)
Interest income	554	355
Interest income, net	$ 548	$ 340

Income Taxes

Deferred income taxes are recorded to account for the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets have been recorded net of an appropriate valuation allowance, to the extent management believes it is more likely than not that such assets will be realized. (See Note 6 Income Taxes).

Comprehensive Income

Comprehensive income is net income adjusted for foreign currency translation adjustments.

Earnings Per Common Share

Earnings per common share are based upon the weighted average number of common and common equivalent shares outstanding. Outstanding stock options and warrants are treated as common stock equivalents when dilution results from their assumed exercise.

Stock-Based Compensation

The Company accounts for all share based payments in accordance with ASC Topic 71X, Compensation , subtopic 718 Compensation Stock Compensation . Accordingly, the computed fair value is expensed ratably over the requisite vesting period. The Company recorded no stock-based compensation costs during fiscal 2014 or fiscal 2013.

There were no stock options granted by the Company in fiscal 2014 or fiscal 2013.

Recent Pronouncements

The following Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board during the twelve months ended March 31, 2014 or during the interim period between March 31, 2014 and June 25, 2014 which relate to or could relate to the Company as concerns the Company s normal ongoing operations or the industry in which the Company operates:

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The FASB has decided that it should proactively determine which entities would be within the scope of the Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies (Guide). This will aim to minimize the inconsistency and complexity of having multiple definitions of, or a diversity in practice as to what constitutes, a nonpublic entity and public entity within U.S. generally accepted accounting principles (GAAP) on a going-forward basis. Specifically, stakeholders asked that the Board clarify which nonpublic entities potentially qualify for alternative financial accounting and reporting guidance. This Update addresses those issues by defining public business entity. There is no actual effective date for the amendment in this Update. However, the term public business entity will be used in Accounting Standards Updates No. 2014-01, Intangibles Goodwill and Other (Topic 350): Accounting for Goodwill, and No. 2014-02, Derivatives and Hedging (Topic 815):Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps Simplified Hedge Accounting Approach, which are the first Updates that will use the term public business entity. This ASU is not expected to have a significant impact on the Company s financial statements.

Accounting Standards Update 2014-08, Presentation of Financial Statements Topic 205 and Property, Plant and Equipment Topic 360. Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

The amendments in this Update change the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results when any of the following occurs: 1. The component of an entity or group of components of an entity meets the criteria in paragraph 205-20-45-1E to be classified as held for sale. 2. The component of an entity or group of components of an entity is disposed of by sale. 2 3. The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). A public business entity and a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market should apply the amendments in this Update prospectively to both of the following: 1. All disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years 2. All businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. This ASU is not expected to have a significant impact on the Company s financial statements.

Accounting Standards Update 2014-09, Revenue from Contracts with Customers Topic 606.

The FASB is amending the FASB Accounting Standards Codification and creating a new Topic 606, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1: Identify the contract(s) with a customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation. This ASU is not expected to have a significant impact on the Company s financial statements.

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NOTE 2 INVENTORIES:

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. As of March 31, 2014 and March 31, 2013, inventories consisted of the following:

	March 31, 2014	March 31, 2013
	(In thousands)	
Finished goods	$ 5,438	$ 3,454

NOTE 3 RELATED PARTY TRANSACTIONS:

From time to time, Emerson engages in business transactions with its controlling shareholder, The Grande Holdings Limited (In Liquidation) (Grande), and one or more of Grande s direct and indirect subsidiaries. Set forth below is a summary of such transactions.

Controlling Shareholder

Grande has, together with S&T International Distribution Limited (S&T), a subsidiary of Grande, and Grande N.A.K.S. Ltd., a subsidiary of Grande (together with Grande, the Reporting Persons), filed, on May 22, 2014, a Schedule 13D/A with the Securities and Exchange Commission (SEC) stating that, as of the filing date, the Reporting Persons had the shared power to vote and direct the disposition of 15,243,283 shares, or approximately 56.2%, of the outstanding common stock of Emerson. As the Reporting Persons, and by extension Grande (as their ultimate parent) have control of a majority of the outstanding shares of common stock of Emerson, Emerson is a Controlled company, as defined in Section 801(a) of the NYSE MKT Rules.

On May 31, 2011, upon application of a major creditor, the High Court of Hong Kong appointed Fok Hei Yu (who is also known by the anglicized name Vincent Fok), a current director and Chairman of the Board of the Company, and Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited (FTI), as Joint and Several Provisional Liquidators over Grande. Accordingly, as of May 31, 2011, the directors of Grande no longer have the ability to exercise control over Grande or the power to direct the voting and disposition of the 15,243,283 shares beneficially owned by Grande. Instead, Mr. Fok and Mr. Sutton, as Provisional Liquidators over Grande, currently have such power. In addition, on March 20, 2013, the Provisional Liquidators provided to Emerson a written statement that they are obligated to liquidate the 15,243,283 shares in the Company beneficially owned by Grande. However, in February 2014, the Provisional Liquidators for and on behalf of Grande issued a public announcement that Grande, among other things, had been in discussions with different investors to pursue a restructuring plan and the resumption of trading of Grande s shares on the Hong Kong Stock Exchange (HKSE). In addition, in May 2014, the Provisional Liquidators for and on behalf of Grande issued a public announcement (the Grande Public Announcement), disclosing that on May 2, 2014, Grande, the Provisional Liquidators and a creditor of Grande entered into an agreement to implement a restructuring proposal (the Grande Restructuring Proposal) submitted by a creditor of Grande. Based on information contained within the Grande Public Announcement, if this Grande Restructuring Proposal is implemented, Mr. Christopher Ho, who served as the Company s Chairman of the Board until November 2013 and is currently the sole director of Grande, and his associates would continue to have a majority interest in Grande. As disclosed in the Schedule 13D/A filed by the Reporting Persons on May 22, 2014, the Grande Restructuring Proposal includes a plan to re-list Grande on the HKSE and provides that many assets of Grande, including its shares of Emerson, would remain part of Grande. According to the Grande Public Announcement, the Grande Restructuring Plan will require approvals, consents and sanctions of the HKSE, courts in Hong Kong and Bermuda, and the creditors and shareholders of Grande. In addition, on June 11, 2014, Grande announced that it had received a summons issued by a creditor of Grande seeking the removal of the Provisional Liquidators.

It is not possible at this time to predict whether the Grande Restructuring Proposal will receive all necessary approvals, nor can there be any assurances regarding the timing, terms or effects of implementing this restructuring proposal. However, even though the Provisional Liquidators continue to maintain the ability to exercise the power to direct the voting and disposition of shares, as long as the Provisional Liquidators are pursuing the restructuring proposal that would result in Grande retaining beneficial ownership of the 15,243,283 shares of Emerson common stock, the Provisional Liquidators may not be actively seeking to liquidate those shares. If the Grande Restructuring Proposal is completed as described within the Grande Public Announcement, it is expected that the 15,243,283 shares of Emerson common stock held of record by Grande s subsidiary, S&T, would remain with S&T and that Grande would once again have the power to direct the voting and disposition of this 56.2% controlling interest in Emerson common stock. It is not possible at this time to predict what impact the removal of the Provisional Liquidators would have on the Grande Restructuring Proposal or Emerson and Emerson cannot predict nor provide any assurances regarding the possible effects on the Company, its shareholders, the trading price of its common stock or any other consequences that could result if the Grande Restructuring Proposal is approved and Grande again has the power to control Emerson.

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Related Party Transactions

Rented Office Space in Hong Kong

Transactions with Brighton Marketing Limited, a subsidiary of Grande

Until May 2013, at which time these charges ceased, the Company was billed for service charges from Brighton Marketing Limited, a subsidiary of Grande, in connection with the Company s rented office space in Hong Kong. These charges totaled approximately $1,000 and $5,000 for the twelve month periods ended March 31, 2014 and March 31, 2013, respectively. Emerson owed Brighton Marketing Limited nil at both March 31, 2014 and March 31, 2013 pertaining to these charges.

Transactions with The Grande Properties Management Limited, a related party to Christopher Ho, the former Chairman of the Board of Directors of the Company

The Company is charged for service charges from The Grande Properties Management Limited, a related party to Christopher Ho, the former Chairman of the Board of Directors of the Company, in connection with the Company s rented office space in Hong Kong. Mr. Ho did not stand for re-election to serve as a director of the Company at the Company s 2013 Annual Meeting of Stockholders held on November 7, 2013. Accordingly, Mr. Ho is no longer a director of the Company or a related party to the Company after November 7, 2013, and, consequently, such service charges from The Grande Properties Management Limited, are not considered Related Party Transactions after November 7, 2013.

These charges totaled approximately $11,000 for the period April 1, 2013 through November 7, 2013, and approximately $41,000 for the twelve month period ended March 31, 2013. The Company owed nil to The Grande Properties Management Limited related to these charges at both March 31, 2014 and March 31, 2013.

Transactions with Lafe Strategic Services Limited, a related party to Christopher Ho, the former Chairman of the Board of Directors of the Company

Beginning July 3, 2012, the Company entered into a rental agreement with Lafe Strategic Services Limited (Lafe), which is a related party to Mr. Ho, whereby the Company was leasing out excess space within its rented office space in Hong Kong to Lafe. The rental agreement was on a month-by-month basis, cancellable by either the Company or Lafe on one month s written notice. The agreement was cancelled by Lafe effective April 1, 2013 at which time Lafe owed Emerson nil in rental payable from the arrangement. Emerson returned the approximately $6,000 to Lafe in July 2013 that Emerson had been holding as a security deposit in accordance with the terms of the agreement. During the twelve months ended March 31, 2013, the Company earned rental income of approximately $27,000 from this arrangement.

Consulting Services Provided to Emerson by one of its Former Directors

Until such agreement was cancelled by the Company effective November 7, 2013, Mr. Eduard Will, a former director of Emerson, was paid consulting fees by the Company for work performed by Mr. Will related to strategy for the Kayne Litigation as more fully described in Note 13 Legal Proceedings Kayne Litigation and merger and acquisition research. Mr. Will was not re-elected to serve as a director of the Company at the Company s 2013 Annual Meeting of Stockholders held on November 7, 2013. Accordingly, Mr. Will is no longer a director of the Company or a related party to the Company after November 7, 2013.

During the period April 1, 2013 through November 7, 2013, Emerson paid consulting fees of approximately $68,000 to Mr. Will for work performed by Mr. Will related to strategy for the Kayne Litigation as more fully described in Note 13 Legal Proceedings Kayne Litigation and merger and acquisition research. In addition, during the period April 1, 2013 through November 7, 2013, Emerson paid expense reimbursements and advances, in the aggregate, of approximately $6,000 to Mr. Will, related to this consulting work and his service as a director of Emerson.

During the twelve months ended March 31, 2013, Emerson paid consulting fees of approximately $110,000 to Mr. Will for work performed by Mr. Will related to strategy for the Kayne Litigation as more fully described in Note 13 Legal Proceedings Kayne Litigation and merger and acquisition research. In addition, during the twelve months ended March 31, 2013, Emerson paid expense reimbursements and advances, in the aggregate, of approximately $23,000, to Mr. Will, related to this consulting work and his service as a director of Emerson.

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At both November 7, 2013 and March 31, 2013, the Company owed Mr. Will nil related to these activities.

Dividend-Related Issues with S&T

On March 2, 2010, the Board declared an extraordinary dividend of $1.10 per common share which was paid on March 24, 2010. In connection with the Company s determination as to the taxability of the dividend, the Board relied upon information and research provided to it by the Company s tax advisors and, in reliance on the stock-for-debt exception in the Internal Revenue Code Sections 108(e)(8) and (e)(10), concluded that 4.9% of such dividend paid was taxable to the recipients.

In August 2012, the Company received a Form 886-A from the IRS which challenges the Company s conclusions and determines that the Company does not qualify for the above-referenced exception. Accordingly, the IRS has concluded that 100% of the dividend paid was taxable to the recipients. The Company is defending its position and calculations and is contesting the position asserted by the IRS. The Company prepared and, on October 25, 2012, delivered its rebuttal to the IRS contesting the IRS determination. There can be no assurance that the Company will be successful in defending its position.

In the event that the Company is not successful in establishing with the IRS that the Company s calculations were correct, then the shareholders who received the dividend likely will be subject to and liable for an assessment of additional taxes due. Moreover, the Company may be contingently liable for taxes due by certain of its shareholders resulting from the dividend paid by the Company.

Initially, the Company withheld from the dividend paid to foreign shareholders an amount equal to the tax liability associated with such dividend. On April 7, 2010, upon a request made to the Company by its foreign controlling shareholder, S&T, the Company entered into an agreement with S&T (the Agreement), whereby the Company returned to S&T on April 7, 2010 that portion of the funds withheld for taxes from the dividend paid on March 24, 2010 to S&T, which the Company believes is not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits. The Agreement includes provisions pursuant to which S&T agreed to indemnify the Company for any liability imposed on it as a result of the Company s agreement not to withhold such funds for S&T s possible tax liability and a pledge of stock as collateral. The Company continues to assert that such dividend is largely not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits. In addition, the Company also continues to assert that this transaction results in an off-balance sheet arrangement and a possible contingent tax liability of the Company, which, if recognized, would be offset by the calling by the Company on S&T of the indemnification provisions of the Agreement.

Per the terms of the Agreement, Emerson invoiced S&T in June 2010 approximately $42,000 for reimbursement of legal fees incurred by Emerson with regard to the Agreement and approximately $33,000 as a transaction fee for having entered into the Agreement. In January 2011, Emerson agreed, upon the request of S&T, to waive approximately $5,000 of the legal charges that had been invoiced to S&T in June 2010. S&T paid the full amount owed to Emerson of approximately $70,000 in February 2011.

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In February 2011, upon the request of S&T to the Company, the Company and S&T agreed that the collateral pledged as a part of the Agreement would no longer be required and such collateral was returned by the Company to S&T in March 2011 and the Agreement was amended and restated to remove the collateral requirement but retain the indemnification provisions. The Agreement, as amended (the Amended Agreement), remains in effect as of today. In the event that (i) the Company is not successful in establishing with the IRS that the Company s calculations were correct and (ii) S&T is unable or unwilling to pay the additional taxes due or indemnify the Company under the terms of the Amended Agreement, the Company may be liable to pay such additional taxes, which, together with penalties and interest, are currently estimated by the Company to be approximately $4.7 million as of March 31, 2014. Any such liability, should it be required to be recognized by the Company, would likely have a material adverse effect on the Company s results of operations in the period recognized. S&T is a subsidiary of Grande, which is currently in liquidation (as described above under *Controlling Shareholder*). Therefore, the ability of the Company to enforce its rights to indemnification under the Amended Agreement and to collect from S&T any additional taxes, interest and penalties due may be severely impaired.

Other

The Company charges Vigers Appraisal & Consulting Ltd. (Vigers), a related party of Christopher Ho, the former Chairman of the Board of Directors of the Company, for usage of telephone and data lines maintained by Emerson. Mr. Ho did not stand for re-election to serve as a director of the Company at the Company s 2013 Annual Meeting of Stockholders held on November 7, 2013. Accordingly, Mr. Ho is no longer a director of the Company or a related party to the Company after November 7, 2013, and, consequently, such service charges from the Company to Vigers are not considered Related Party Transactions after November 7, 2013.

These charges totaled approximately $3,000 for the period April 1, 2013 through November 7, 2013, and approximately $4,000 for the twelve month period ended March 31, 2013. Vigers owed the Company nil related to these charges at November 7, 2013 and approximately $1,000 at March 31, 2013.

Vigers usage of telephone and data lines maintained by Emerson ceased effective on January 1, 2014.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT:

As of March 31, 2014 and 2013, property, plant, and equipment is comprised of the following:

	2014	**2013**
	(In thousands)	
Computer equipment and software	338	322
Furniture and fixtures	196	214
Machinery and equipment	267	679
Leasehold improvements	8	8
	809	1,223
Less accumulated depreciation and amortization	(667)	(965)
	$ 142	$ 258

Depreciation of property, plant, and equipment amounted to approximately $88,000 and $106,000 for the twelve months ended March 31, 2014 and 2013, respectively. During fiscal 2014, the Company disposed of property, plant and equipment with gross book values totaling approximately $412,000. The Company recognized a total net gain of approximately $2,000 on these disposals in fiscal 2014. During fiscal 2013, the Company disposed of property, plant and equipment with gross book values totaling approximately $20,000. The Company recognized a total net loss of approximately $2,000 on these disposals in fiscal 2013.

NOTE 5 CAPITAL LEASE OBLIGATIONS:

As of March 31, 2014 and March 31, 2013, capital lease obligations consisted of the following:

	2014	2013
	(In thousands)	
Short-term capital lease obligations	$	$ 43
Long-term capital lease obligations		30
Total capital lease obligations	$	$ 73

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NOTE 6 INCOME TAXES:

Income Tax Issues Concerning Overseas Income

On April 15, 2013 and June 5, 2013, the Company received correspondence from the IRS including a (i) Form 5701 and Form 886-A regarding Adjusted Sales Income (collectively referred to as NOPA 1) and (ii) Form 5701 and Form 886-A regarding Adjusted Subpart F-Foreign Base Company Sales Income (collectively referred to as NOPA 2).

With respect to NOPA 1, the IRS is (i) challenging the position of the Company with respect to the way the Company s controlled foreign corporation in Macao (the Macao CFC) recorded its product sales during Fiscal 2010 and Fiscal 2011 and (ii) asserting that an upward adjustment to the Company s Fiscal 2010 and Fiscal 2011 taxable income of $4,981,520 and $5,680,182, respectively, is required.

With respect to NOPA 2, the IRS is challenging the position of the Company with respect to the fact that the Company considered the service fee paid by the Company to the Macao CFC to be non-taxable in the US. The IRS has taken the position that the service fee paid to the Macao CFC by the Company constitutes foreign base company sales income (FBCSI). The IRS asserts that the service fee earned by the Macao CFC in connection with its sale of products to the Company should be taxable to the Company as FBCSI. As a result, the IRS determined that an upward adjustment to the Company s Fiscal 2010 and Fiscal 2011 taxable income of $1,553,984 and $1,143,162, respectively, is required.

The Company has evaluated the determinations made by the IRS as set forth in each of NOPA 1 and NOPA 2 in order to decide (a) how it will proceed and (b) the potential impact on the Company s financial condition and operations. Furthermore, although NOPA 1 and NOPA 2 represent potential adjustments to Fiscal 2010 and Fiscal 2011 only, the Company believes it is likely that the IRS will take the position that the same type of adjustments should be made for each of the Company s subsequent fiscal years. The assessment and payment of such additional taxes, penalties and interest would have a material adverse effect on the Company s financial condition and results of operations.

With respect to NOPA 1, the Company is disputing the proposed adjustment with the IRS. In the event that the Company is not successful in its dispute, the Company estimates that it could be liable for a maximum in taxes, penalties and interest of approximately $14.9 million pertaining to NOPA 1, in the aggregate, for its Fiscal 2010, Fiscal 2011, Fiscal 2012, Fiscal 2013 and Fiscal 2014 periods. However, because the Company s current assessment is that its appeal of NOPA 1 is more likely than not to be successful, the Company has not recorded any liability to its March 31, 2014 or March 31, 2013 balance sheets related to NOPA 1.

With respect to NOPA 2, the Company agrees in principle with the IRS position that the service fee paid to the Macao CFC by the Company would be treated as FBCSI and taxable to the Company but the Company does not agree with the adjustment to the Company s taxable income as calculated by the IRS. However, the Company has estimated as approximately $1.1 million the amount of taxes, penalties and interest for which it would be liable for its Fiscal 2010, Fiscal 2011, Fiscal 2012 and Fiscal 2013 periods using the adjustments to taxable income as proposed by the IRS, and such amount was recorded by the Company as tax expense during Fiscal 2013. In addition, the Company began at this time to prospectively recognize the service fee, net of related expenses, paid to the Macao CFC as FBCSI taxable income to the Company. During Fiscal 2014, the Company remitted approximately $0.9 million of this estimated liability to the IRS, and plans to remit the balance of $0.2 million upon final agreement of this amount due with the IRS.

The Company s provision for income tax (benefit) expense for Fiscal 2014 and Fiscal 2013 was as follows:

	2014	2013
	(In thousands)	
Current:		
Federal	$ (450)	$ 1,353
Foreign, state and other	(484)	215
Prior year federal and state with penalty & interest	0	881
Deferred:		
Federal	(467)	947
Foreign, state and other	(68)	270
Provision for income tax (benefit) expense	$ (1,469)	$ 3,666

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The Company files a consolidated federal return and certain state and local income tax returns.

The difference between the effective rate reflected in the provision for income taxes and the amounts determined by applying the statutory federal rate of 34% to earnings before income taxes for Fiscal March 2014 and Fiscal 2013 is analyzed below:

	2014	**2013**
	(In thousands)	
Statutory provision	$ (52)	$ 3,283
Foreign subsidiary	(1,009)	(2,626)
State taxes	(529)	366
Permanent differences	304	716
Prior year taxes	0	897
True up AMT Credit	0	898
True up to prior year taxes	(158)	56
Valuation allowance	(234)	0
Expiration of Stock Options and Warrants	209	0
Other, net	0	76
Provision for income tax (benefit) expense	$ (1,469)	$ 3,666

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As of March 31, 2014 and March 31, 2013, the significant components of the Company s deferred tax assets and liabilities were as follows:

	2014	2013
	(In thousands)	
Deferred tax assets:		
Current:		
Accounts receivable reserves	$ 842	$ 881
Inventory reserves	401	401
Accruals	151	237
Stock warrants	0	166
Total current deferred tax assets	1,394	1,685
Non-current:		
Property, plant, and equipment	669	1,169
Net operating loss and credit carry forwards	1,084	107
Stock compensation	0	79
Total non-current deferred tax assets - gross	1,753	1,355
Valuation allowances	0	(234)
Total non-current deferred tax assets	1,753	1,121
Total deferred tax assets	3,147	2,806
Deferred tax liabilities:		
Non-current:		
Capital lease expense	0	194
Total deferred tax liabilities	0	194
Net deferred tax assets	$ 3,147	$ 2,612

The Company has $2.4 million of U.S. federal net operating loss carry forwards (NOLs) as of March 31, 2014 that expire in 2034.

The Company has $3.7 million of state NOLs as of March 31, 2014 as follows (in millions $):

Loss Year (Fiscal)	Included in DTA	Expiration Year (Fiscal)
2008	$ 1.3 million	2018
2014	$ 2.4 million	2034

The tax benefits related to these state net operating loss carry forwards and future deductible temporary differences are recorded to the extent management believes it is more likely than not that such benefits will be realized.

Income of foreign subsidiaries before taxes was $2,966,000 for the fiscal year ended March 31, 2014 as compared to a loss before taxes of $80,000 for the fiscal year ended March 31, 2013, respectively.

No provision was made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries. Such earnings have been and will be reinvested but could become subject to additional tax if they were remitted as dividends, or were loaned to the Company or a domestic affiliate, or if the Company should sell its stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on undistributed foreign earnings.

A reconciliation of the Company s changes in uncertain tax positions from April 1, 2013 to March 31, 2014 is as follows:

	In 000 s
Total amount of unrecognized tax benefits as of April 1, 2013	$ 121
Gross increases in unrecognized tax benefits as a result of tax positions taken during a prior period	
Gross decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	
Gross increases in unrecognized tax benefits as a result of tax positions taken during the current period	
Gross decreases in unrecognized tax benefits as a result of tax positions taken during the current period	
Decreases in unrecognized tax benefits relating to settlements with taxing authorities	
Reductions to unrecognized tax benefits as a result of lapse of statute of limitations	(121)
Total amount of unrecognized tax benefits as of March 31, 2014	

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NOTE 7 COMMITMENTS AND CONTINGENCIES:

Leases:

The Company leases warehouse and office space with annual commitments as follows (in thousands):

		Rental Commitments	
Fiscal Years	**Amount**	**Affiliate**	**Non-Affiliate**
2015	914		914
2016	140		140
2017	46		46
2018	3		3
Thereafter			
Total	$ 1,103	$	$ 1,103

Rent expense resulting from leases with non-affiliated companies aggregated $777,000 and $1,151,000, respectively, for fiscal 2014 and 2013.

Letters of Credit:

The Company utilizes the services of one of its banks to issue secured letters of credit on behalf of the Company, as needed, on a 100% cash collateralized basis. At March 31, 2014 and March 31, 2013, the Company had nil and approximately $0.1 million of letters of credit outstanding.

Capital Expenditure and Other Commitments:

As of March 31, 2014, there were no capital expenditure or other commitments other than the normal purchase orders used to secure product.

Employee Benefit Plan:

The Company currently sponsors a defined contribution 401(k) retirement plan which is subject to the provisions of the Employee Retirement Income Security Act. The Company matches a percentage of the participants contributions up to a specified amount. These contributions to the plan for fiscal 2014 and 2013 were $58,000 and $65,000, respectively, and were charged against earnings for the periods presented.

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NOTE 8 STOCK BASED COMPENSATION:

In 2004, the Company adopted the 2004 Employee Stock Options Plan. The provisions for exercise price, term and vesting schedule are, for the most part, the same as the previous Incentive Stock Option Plan. The maximum aggregate number of shares of common stock available pursuant to the Program is 2,500,000 shares.

There were no transactions during fiscal 2014 or fiscal 2013, and as of March 31, 2014, there were no options outstanding. At March 31, 2014, 2013 and 2012, the weighted average exercise price of exercisable options under the Program was nil.

In 2004, the Company s Board of Directors, and the stockholders subsequently approved the 2004 Non-Employee Director Stock Option Plan, the provisions for exercise price, term and vesting schedule being, for the most part, the same as the 1994 Non-Employee Director Stock Option Plan. The maximum number of shares of Common Stock available under such plan was 250,000 shares. In December 2006, an additional listing application was approved by the American Stock Exchange permitting the issuance of up to 500,000 shares pursuant to the 2004 plan.

There were no options granted during the fiscal years ending March 31, 2014 or 2013. As of March 31, 2014, there were no options outstanding. The weighted average exercise price of exercisable options under the Non-Employee Director Stock Option Plan was nil and $3.13 for March 31, 2014 and 2013, respectively.

A summary of transactions under the plan for the two years ended March 31, 2014 is as follows:

	Number of Options	Weighted Average Exercise Price	
Outstanding April 1, 2012	50,000	$	3.13
Outstanding March 31, 2013	50,000	$	3.13
Cancelled	(50,000)	$	3.13
Outstanding March 31, 2014	0	$	0.00
Exercisable at March 31, 2014	0	$	0.00

NOTE 9 SHAREHOLDERS EQUITY:

Common Shares:

Authorized common shares total 75,000,000 shares of common shares, par value $0.01 per share, of which, 27,129,832 were issued and outstanding as of March 31, 2014 and 2013. Shares held in treasury at March 31, 2014 and 2013 were 25,835,965.

Common Stock Repurchase Program:

In September 2003, the Company s Board authorized a share repurchase programs for 2,000,000 shares. No shares were repurchased in fiscal 2014 or fiscal 2013. As of March 31, 2014, 732,377 shares remain available for repurchase under this program.

Series A Preferred Stock:

The Company has issued and outstanding 3,677 shares of Series A Preferred Stock, (Preferred Stock) $.01 par value, with a face value of $3,677,000, which had no determinable market value as of March 31, 2014. Effective March 31, 2002, the previously existing conversion feature of the Preferred Stock expired. The Series A convertible preferred stock is non-voting, has no dividend preferences and has not been convertible since March 31, 2002; however, it retains a liquidation preference.

NOTE 10 SHORT TERM INVESTMENTS:

At March 31, 2014 and March 31, 2013, the Company held short-term investments totaling $32.2 million and $45.2 million, respectively. At March 31, 2014, these investments were comprised of bank certificates of deposit with maturities in May and June 2014.

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NOTE 11 NET EARNINGS PER SHARE:

The following table sets forth the computation of basic and diluted earnings per share for the years ended March 31, 2014 and March 31, 2013:

	2014	2013
	(In thousands, except per share data)	
Numerator:		
Net income for basic and diluted earnings per share	$ 1,317	$ 5,999
Denominator:		
Denominator for basic earnings per share weighted average shares	27,130	27,130
Effect of dilutive securities on denominator:		
Options		
Denominator for diluted earnings per share weighted average shares and assumed conversions	27,130	27,130
Net income per share:		
Basic and diluted income per share	$ .05	$ .22

For the year ended March 31, 2014, there were no outstanding instruments which were potentially dilutive.

NOTE 12 LICENSE AGREEMENTS:

The Company is party to numerous license agreements that allow licensees to use its trademarks for the manufacture and/or the sale of consumer electronics and other products and are referred to as outward licenses . These license agreements (i) allow the licensee to use the Company s trademarks for a specific product category, or for sale within specific geographic areas, or for sales to a specific customer base, or any combination of the above, or any other category that might be defined in the license agreement and (ii) may be subject to renewal at the initial expiration of the agreements and are governed by the laws of the United States.

NOTE 13 LEGAL PROCEEDINGS:

Kayne Litigation As previously reported, since July 2011, Emerson Radio Corp. (the Company) has been a defendant in a lawsuit known as *Fred Kayne, et al., vs. Christopher Ho, et al.* (the Kayne Litigation) which was filed in the United States District Court for the Central District of California alleging, among other things, that the Company, certain of its present and former directors and other entities or individuals now or previously associated with The Grande Holdings Limited (In Liquidation) (Grande), intentionally interfered with the ability of the plaintiffs to collect on a judgment they had against Grande. As of November 2013, such judgment, with interest, totaled approximately $60 million. Grande is the ultimate corporate parent of the Company s majority shareholder, S&T International Distribution Limited. The plaintiffs in the Kayne Litigation (the Plaintiffs) pursued their claims against the Company largely on the basis of their allegation that the Company was an alter ego of Grande because it was part of a single enterprise purportedly controlled by the Chairman of the Board of Grande, Christopher Ho.

After the commencement of the Kayne Litigation trial, which began on December 3, 2013, the Company entered into a settlement agreement (the Settlement Agreement) with the Plaintiffs, effective as of December 19, 2013, for reasons of economy and finality, the terms and facts of which may not be construed as an admission by any party as to the merits of any of the claims or defenses resolved therein, which fully resolves and settles all outstanding and potential claims against the Company in the Kayne Litigation without acknowledging or attributing fault or liability on the part of the Company.

In deciding that it was in the best interest of the Company and its stockholders to enter into the Settlement Agreement, the Company s Board considered the contingent risk that in the event that an adverse judgment of as much as $60 million was issued against the defendants by the Court in the Kayne Litigation: (i) that judgment would be enforceable on a joint and several basis, such that the entire judgment against all defendants could be enforced, in its entirety, against a single defendant; (ii) that as the only U.S. based defendant in the Kayne Litigation, the Company faced a considerable risk that any such judgment would be enforced against it alone; (iii) that in that event, the Company would face significant legal and practical obstacles in seeking to pursue claims for contribution against the other defendants; and (iv) that the Company would also face significant obstacles in pursuing the appeal of such a judgment because an appeal would require the Company to post collateral sufficient to secure an appeal bond with a face amount in excess of $60 million.

The Settlement Agreement provided for a cash payment of $4.0 million (the Settlement Amount) to be paid by the Company to the Plaintiffs, which represents less than 7% of the potential liability the Company faced from an adverse judgment. The Board believed it was prudent to settle for this relatively small amount due to the factors discussed above as well as the uncertainty of the trial outcome in view of the judge s previous denial of several motions by the Company to dismiss the alter ego claims and denial of the Company s motion for summary judgment. Pursuant to the Settlement Agreement, payment of the Settlement Amount was made by the Company via wire transfer to the Plaintiffs attorney s trust account on December 23, 2013, which payment shall remain in trust, and will not be released from trust to the Plaintiffs until such time as the Company makes an application to the Court to approve the Settlement Agreement as a good faith settlement under California law and such application is granted by the Court. On January 13, 2014, the Company filed such application seeking the Court s approval of the Settlement Agreement as a good faith settlement and the Court issued its Order of Good Faith finding such on February 24, 2014. The Plaintiff s attorney has informed the Company that he consequently released the Settlement Amount to the Plaintiffs on May 6, 2014 and May 7, 2014.

The Company has retained special counsel to investigate the ability of the Company to pursue claims against the co-defendants or others with respect to the Settlement Amount paid by the Company to the Plaintiffs.

The payment of the Settlement Amount by the Company resulted in the recognition of a $4.0 million non-operating expense in the quarter ended December 31, 2013. During the twelve months ending March 31, 2014 and March 31, 2013, the Company incurred legal fees associated with the Kayne Litigation of approximately $1.8 million and $1.2 million, respectively.

Other Except for the litigation matter described above, the Company is not currently a party to any legal proceedings other than litigation matters, in most cases involving ordinary and routine claims incidental to our business. Management cannot estimate with certainty the Company s ultimate legal and financial liability with respect to such pending litigation matters. However, management believes, based on our examination of such matters, that the Company s ultimate liability will not have a material adverse effect on the Company s financial position, results of operations or cash flows.

NOTE 14 RISKS AND UNCERTAINTIES:

Customer and Licensee Concentration

For the twelve months ended March 31, 2014 and March 31, 2013, the Company s largest two customers, Target and Wal-Mart, and largest licensee, Funai, accounted for approximately 86% and 94% of the Company s net revenues, respectively, with Target accounting for 58% and 44%, respectively, Wal-Mart accounting for 22% and 45%, respectively, and Funai accounting for 6% and 5%, respectively. A significant decline in net sales to Target or Wal-Mart, or a significant decline in licensing revenue from Funai, would have a material adverse effect on the Company s business, financial condition and results of operation.

Product Concentration

For the twelve months ended March 31, 2014, the Company s gross product sales were comprised of five product types within two categories housewares products and audio products, and two of these product types, namely microwave ovens and compact refrigerators both within the housewares category generated approximately 93% of the Company s gross product sales, with microwave ovens generating approximately 62% of the total and compact refrigerators generating approximately 31% of the total. For the twelve months ended March 31, 2013, the Company s gross product sales were comprised of the same five product types within the same two categories housewares products and audio products, and two of these product types, namely microwave ovens and compact refrigerators both within the housewares category generated approximately 95% of the Company s gross product sales, with microwave ovens generating approximately 69% of the total and compact refrigerators generating approximately 26% of the total. As a results of this dependence, a significant decline in pricing of, or market acceptance of these product types and categories, either in general or specifically as marketed by the Company, would have a material adverse effect on the Company s business, financial condition and results of operation. Because the market for these product types and categories is characterized by periodic new product introductions, the Company s future financial performance will depend, in part, on the successful and timely development and customer acceptance of new and enhanced versions of these product types and other products distributed by the Company. There can be no assurance that the Company will continue to be successful in marketing these products types within these categories or any other new or enhanced products.

Concentrations of Credit Risk

As a percent of the Company s total trade accounts receivable, net of specific reserves, the Company s two top customers, Wal-Mart and Target, accounted for 58% and 36% as of March 31, 2014, respectively, and 45% and 44% as of March 31, 2013. The Company periodically performs credit evaluations of its customers but generally does not require collateral, and the Company provides for any anticipated credit losses in the financial statements based upon management s estimates and ongoing reviews of recorded allowances. The accounts receivable allowance for doubtful accounts on the Company s total trade accounts receivable balances was $11,000 at March 31, 2014 and $245,000 at March 31, 2013. Due to the high concentration of the Company s net trade accounts receivables among just two customers, any significant failure by one of these customers to pay the Company the amounts owing against these receivables would result in a material adverse effect on the company s business, financial condition and results of operation.

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Supplier Concentration

The Company, during the twelve months ended March 31, 2014, procured approximately 87% of its products for resale from its three largest factory suppliers, and of these, the Company procured approximately 64% of these products from one of them. The Company, during the twelve months ended March 31, 2013, procured approximately 77% of its products for resale from its two largest factory suppliers, and of these, the Company procured approximately 67% of these products from one of them. No assurance can be given that ample supply of product would be available at current prices and on current credit terms if the Company were required to seek alternative sources of supply without adequate notice by a supplier or a reasonable opportunity to seek alternate production facilities and component parts and any resulting significant shortage of product supply would have a material adverse effect on the Company s business, financial condition and results of operation. However, the Company considers its relationships with its suppliers to be satisfactory and believes that, barring any unusual material or part shortages or economic, fiscal or monetary conditions, the Company could develop alternative suppliers.

NOTE 15 GEOGRAPHIC INFORMATION:

Net revenues and long-lived assets of the Company for the fiscal years ended March 31, 2014 and March 31, 2013 are summarized below by geographic area (in thousands). Net revenues are attributed to geographic area based on location of customer.

	Year Ended March 31, 2014		
	U.S.	**Foreign**	**Consolidated**
Net third party revenue	$ 77,829	$	$ 77,829
Long-lived assets	$ 129	$ 143	$ 272

	Year Ended March 31, 2013		
	U.S.	**Foreign**	**Consolidated**
Net third party revenue	$ 128,396	$	$ 128,396
Long-lived assets	$ 461	$ 120	$ 581

NOTE 16 TRADEMARKS

During fiscal 2014, upon completion of an analysis which showed the absence of future expected cash flows, the Company determined that the value of one of its non-strategic trademarks was fully impaired. Thus, the Company recorded an impairment charge of $0.2 million in December 2013 to write off this trademark. The Company does not anticipate any future material adverse financial impacts arising from this impairment.

During fiscal 2013, upon completion of an analysis which showed the absence of future expected cash flows, the Company determined that the value of one of its non-strategic trademarks was fully impaired. Thus, the Company recorded an impairment charge of $1.3 million in September 2012 to write off this trademark. The Company does not anticipate any future material adverse financial impacts arising from this impairment.

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

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d 15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to ensure that information required to be disclosed in its Exchange Act reports are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to management, including the Company s principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons; by collusion of two or more people, or by management override of the control. The Company s controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

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As a result of its internal assessment, the Company s management concluded that disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K, are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company s management, including its principal executive officer and principal financial officer, to ensure that such information is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to management, including the Company s principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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Management s Report on Internal Control over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including the Company s principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the Company s internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company s internal control over financial reporting was effective.

This Annual Report on Form 10-K does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended March 31, 2014, there were no changes in the Company s internal control that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Item 9B. ***Other Information***
None

PART III

Item 10. ***DIRECTORS AND EXECUTIVE OFFICERS***
The information required is incorporated herein by reference to Emerson s definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2014.

Item 11. ***EXECUTIVE COMPENSATION***
The information required is incorporated herein by reference to Emerson s definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2014.

Item 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***
The information required is incorporated herein by reference to Emerson s definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or

before July 29, 2014.

Item 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS***

The information required is incorporated herein by reference to Emerson s definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2014.

Item 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES***

The information required is incorporated herein by reference to Emerson s definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2014.

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PART IV

Item 15. ***EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES***
(a) *List of Financial Statements, Financial Statement Schedules, and Exhibits*.

1. *Financial Statements*. The following financial statements of Emerson Radio Corp. are included in Item 8 of Part II of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for the years ended March 31, 2014 and 2013

Consolidated Statements of Comprehensive Income for the years ended March 31, 2014 and 2013

Consolidated Balance Sheets as of March 31, 2014 and 2013

Consolidated Statements of Changes in Shareholders Equity for the years ended March 31, 2014 and 2013

Consolidated Statements of Cash Flows for the years ended March 31, 2014 and 2013

Notes to Consolidated Financial Statements

All financial statement schedules are omitted from this Annual Report on Form 10-K, as they are not required or applicable or the required information is included in the financial statements or notes thereto.

2. *Exhibits*. The following exhibits are filed with this Annual Report on Form 10-K or are incorporated herein by reference, as indicated.

Exhibit **Number**	
3.1	Certificate of Incorporation of Emerson (incorporated by reference to Exhibit (3) (a) of Emerson s Registration Statement on Form S-1, Registration No. 33-53621, declared effective by the SEC on August 9, 1994).
3.4	Certificate of Designation for Series A Preferred Stock (incorporated by reference to Exhibit (3) (b) of Emerson s Registration Statement on Form S-1, Registration No. 33-53621, declared effective by the SEC on August 9, 1994).
3.5	Amendment dated February 14, 1996 to the Certificate of Incorporation of Emerson (incorporated by reference to Exhibit (3) (a) of Emerson s Quarterly Report on Form 10-Q for the quarter ended December 31, 1995).
3.6	By-Laws of Emerson (incorporated by reference to Exhibit 3.1 of Emerson s Quarterly Report on Form 10-Q for the quarter ended December 31, 2007).

3.7	Amendment dated November 28, 1995 to the By-Laws of Emerson adopted March 1994 (incorporated by reference to Exhibit (3) (b) of Emerson s Quarterly Report on Form 10-Q for the quarter ended December 31, 1995).
3.8	Amendment effective as of November 10, 2009 to the By-Laws of Emerson adopted March 1994 (incorporated by reference to Exhibit 3.1 of Emerson s Current Report on Form 8-K filed on November 16, 2009).
3.9	Amendment effective as of August 31, 2011 to the By-Laws of Emerson adopted March 1994 (incorporated by reference to Exhibit 3.2 of Emerson s Current Report on Form 8-K filed on September 7, 2011).
10.12	License Agreement effective as of January 1, 2001 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10) (z) of Emerson s Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
10.12.1	First Amendment to License Agreement dated February 19, 2002 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10.12.1) of Emerson s Annual Report on Form 10-K for the year ended March 31, 2002).
10.12.2	Second Amendment to License Agreement effective August 1, 2002 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10.12.2) of Emerson s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
10.12.3	Third Amendment to License Agreement effective February 18, 2004 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit 10.12.3 of Emerson s Annual Report on Form 10-K for the year ending March 31, 2004).
10.12.4	Fourth Amendment to License Agreement effective December 3, 2004 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit (10.12.4) of Emerson s Quarterly Report on Form 10-Q for the quarter ended December 31, 2004).

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Exhibit Number	
10.12.5	Fifth Amendment to License Agreement effective May 18, 2005 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit (10.12.5) of Emerson s Annual Report on Form 10-K for the year ending March 31, 2005).
10.12.7	Seventh Amendment to License Agreement effective December 22, 2005 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit 10.1 of Emerson s Current Report on Form 8-K filed on December 29, 2005).
10.13	Second Lease Modification dated as of May 15, 1998 between Hartz Mountain, Parsippany and Emerson (incorporated by reference to Exhibit (10) (v) of Emerson s Annual Report on Form 10-K for the year ended April 3, 1998).
10.13.1	Third Lease Modification made the 26th day of October, 1998 between Hartz Mountain Parsippany and Emerson (incorporated by reference to Exhibit (10) (b) of Emerson s Quarterly Report on Form 10-Q for the quarter ended October 2, 1998).
10.13.2	Fourth Lease Modification made the 12th day of February, 2003 between Hartz Mountain Parsippany and Emerson (incorporated by reference to Exhibit (10.13.2) of Emerson s Annual Report on Form 10-K for the year ended March 31, 2003).
10.13.3	Lease Agreement dated as of October 8, 2004 between Sealy TA Texas, L.P., a Georgia limited partnership, and Emerson Radio Corp. (incorporated by reference to Exhibit (10.13.3) of Emerson s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.13.4	Fifth Lease Modification Agreement made the 2nd day of December, 2004 between Hartz Mountain Industries, Inc. and Emerson (incorporated by reference to Exhibit (10.13.3) of Emerson s Quarterly Report on Form 10-Q for the quarter ended December 31, 2004).
10.13.5	Lease Agreement (Single Tenant) between Ontario Warehouse I, Inc., a Florida corporation, as Landlord, and Emerson Radio Corp., a Delaware corporation, as Tenant, effective as of December 6, 2005 (incorporated by reference to Exhibit 10.1 to Emerson s Current Report on Form 8-K filed on January 4, 2006).
10.13.6	Letter agreement, dated November 28, 2005, between Emerson Radio Corp. and The Grande Group (Hong Kong) Limited regarding lease of office space. (Incorporated by reference to Exhibit 10.13.6 to Emerson s Annual Report on Form 10-K for the year ended March 31, 2006).
10.13.7	Letter agreement, dated November 29, 2005, between Emerson Radio Corp. and The Grande Group (Hong Kong) Limited regarding management services for office space. (Incorporated by reference to Exhibit 10.13.7 to Emerson s Annual Report on Form 10-K for the year ended March 31, 2006).
10.18.1	Emerson Radio Corp. 2004 Employee Stock Incentive Plan (incorporated by reference to Exhibit 1 of Emerson s 2004 Proxy Statement).
10.18.2	Emerson Radio Corp. 2004 Non-Employee Outside Director Stock Option Plan (incorporated by reference to Exhibit 2 of Emerson s 2004 Proxy Statement).
10.25	Employment Agreement, dated as of April 3, 2007, by and between Emerson Radio Corp. and Greenfield Pitts (incorporated by reference to Exhibit 10.1 to Emerson s Current Report on Form 8-K filed with the SEC on April 6, 2007).

10.26	Employment Agreement, dated as of October 15, 2007, by and between Emerson Radio Corp. and John Spielberger (incorporated by reference to Exhibit 10.26 to the Company s Annual Report on Form 10-K filed with the SEC on July 11, 2008).
10.27.5	Loan and Security Agreement dated as of December 23, 2005, among Emerson Radio Corp., Emerson Radio Macao Commercial Offshore Limited, Majexco Imports, Inc., Emerson Radio (Hong Kong) Ltd., and Emerson Radio International Ltd. (as Borrowers) and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.2 of Emerson s Form 8-K dated December 29, 2005).
10.27.6	Seventh Amendment to Loan and Security Agreement dated as of December 23, 2005 among Emerson Radio Corp., Emerson Radio Macao Commercial Offshore Limited, Majexco Imports, Inc., Emerson Radio (Hong Kong) Ltd. and Emerson Radio International Ltd. (as Borrowers) and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.27.6 of Emerson s Annual Report on Form 10-K/A for the year ended March 31, 2009).

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10.27.7	Eighth Amendment to Loan and Security Agreement dated as of December 23, 2005 among Emerson Radio Corp., Emerson Radio Macao Commercial Offshore Limited, Majexco Imports, Inc., Emerson Radio (Hong Kong) Ltd. and Emerson Radio International Ltd. (incorporated by reference to Exhibit 10.27.7 of Emerson s Annual Report on Form 10-K for the year ended March 31, 2010).
10.27.8	Ninth Amendment to Loan and Security Agreement dated as of December 23, 2005 among Emerson Radio Corp., Emerson Radio Macao Commercial Offshore Limited, Majexco Imports, Inc., Emerson Radio (Hong Kong) Ltd. and Emerson Radio International Ltd. (incorporated by reference to Exhibit 10.27.8 of Emerson s Annual Report on Form 10-K for the year ended March 31, 2010).
10.28.1	Form of Common Stock Warrant Agreement entered into on October 7, 2003 by and between Emerson Radio Corp. and Ladenburg Thalmann & Co., Inc. (Incorporated by reference to Exhibit 10.28.1 of Emerson s Quarterly Report on Form 10-Q for the quarter ended December 31, 2003).
10.28.2	Common Stock Purchase Warrant Agreement entered into on August 1, 2004 by and between Emerson Radio Corp. and EPOCH Financial Services, Inc. (incorporated by reference to Exhibit 10.28.2 of Emerson s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.28.3	Stock Purchase Agreement among Emerson Radio Corp., Collegiate Pacific Inc. and Emerson Radio (Hong Kong) Limited, dated July 1, 2005 (incorporated by reference to Exhibit 2.1 to Emerson s Current Report on Form 8-K filed on July 8, 2005).
10.29	Employment Agreement dated as of October 1, 2009 between Emerson and Duncan Hon (incorporated by reference to Exhibit 10.1 to Emerson s Current Report on Form 8-K filed on November 16, 2009).
10.30	Consulting Agreement dated as of September 4, 2010 between the Company and Mr. Greenfield Pitts (incorporated by reference to Exhibit 10.30 to Emerson s Form 10-Q for the quarter ended September 30, 2011).
10.31	Employment Agreement dated as of March 31, 2011 between the Company and Mr. Hon Tak Kwong (incorporated by reference to Exhibit 10.31 to Emerson s Form 10-Q for the quarter ended September 30, 2011).
10.32	Consultancy Agreement dated as of June 26, 2012 between the Company and Mr. Ma Chi Chiu (incorporated by reference to Exhibit 10.33 to Emerson s Form 10-K/A for the year ended March 31, 2012).
10.33	Employment Agreement dated as of August 1, 2007, as amended, between the Company and Mr. Andrew L. Davis (incorporated by reference to Exhibit 10.1 to Emerson s Current Report on Form 8-K filed on September 10, 2010).
14.1	Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.1 of Emerson s Annual Report on Form 10-K for the year ended March 31, 2004).
21.1	Principal Subsidiaries of the Company as of March 31, 2014.*
23.1	Consent of Independent Registered Public Accounting Firm MSPC, Certified Public Accountants and Advisors, Professional Corporation.*
31.1	Certification of the Company s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Company s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

32	Certification of the Company s Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.1+	XBRL Instance Document. *
101.2+	XBRL Taxonomy Extension Schema Document. *
101.3+	XBRL Taxonomy Extension Calculation Linkbase Document. *
101.4+	XBRL Taxonomy Extension Definition Linkbase Document. *
101.5+	XBRL Taxonomy Extension Label Linkbase Document. *
101.6+	XBRL Taxonomy Extension Presentation Linkbase Document. *

* Filed herewith.
** Furnished herewith.

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(b) *Exhibits*. The exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated by reference.

(c) *Financial Statement Schedules and Other Financial Statements*.

Financial statement schedules are omitted from this Annual Report on Form 10-K, as they are not required or applicable or the required information is included in the financial statements or notes thereto.

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SIGNATURES

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

EMERSON RADIO CORP.

By: /s/ Duncan Hon
Duncan Hon
Chief Executive Officer

By: /s/ Andrew L. Davis
Andrew L. Davis
Chief Financial Officer

Dated: June 25, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Vincent Fok Vincent Fok	Chairman of the Board of Directors	June 25, 2014
/s/ Lionel Choong Lionel Choong	Vice Chairman of the Board of Directors	June 25, 2014
/s/ Duncan Hon Duncan Hon	Chief Executive Officer and Director	June 25, 2014
/s/ Gregory Hunt Gregory Hunt	Director	June 25, 2014
/s/ Mark Manski Mark Manski	Director	June 25, 2014
/s/ Kareem E. Sethi Kareem E. Sethi	Director	June 25, 2014
/s/ Terence A. Snellings Terence A. Snellings	Director	June 25, 2014